

**SCHEMES MANAGED BY**

**MARLBOROUGH FUND MANAGERS LTD**

**PROSPECTUS**

IN RELATION TO THE FOLLOWING UCITS SCHEMES:

Marlborough Bond Income Fund  
Marlborough Global Bond Fund  
Marlborough Special Situations Fund  
Marlborough UK Micro-Cap Growth Fund  
Marlborough UK Multi-Cap Growth Fund  
Marlborough Extra Income Fund  
Marlborough High Yield Fixed Interest Fund

*Prepared in accordance with the Collective Investment Scheme Sourcebook  
Dated and valid as at: 11th July 2018*

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**This Prospectus has been prepared in accordance with the Collective Investment Scheme Sourcebook of the Financial Conduct Authority and constitutes the Prospectus of the Marlborough Bond Income Fund, Marlborough Global Bond Fund, Marlborough Special Situations Fund, Marlborough UK Micro-Cap Growth Fund, Marlborough High Yield Fixed Interest Fund, Marlborough UK Multi-Cap Growth Fund, Marlborough Extra Income Fund.**

**THIS PROSPECTUS IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE MEANING OF ANY INFORMATION CONTAINED IN THIS PROSPECTUS, YOU SHOULD CONSULT THE MANAGER OR YOUR FINANCIAL ADVISER.**

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

This Prospectus is intended for distribution in the United Kingdom. Its distribution may be restricted in other countries. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. It does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is unlawful or in which the person making such offer or solicitation is not qualified so to do, or to anyone to whom it is unlawful to make such an 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 units.

This Prospectus has been approved for the purpose of Section 21 of the Financial Services and Markets Act 2000 by Marlborough Fund Managers Limited.

Unitholders are deemed to have taken notice of the provisions of the Trust Deed for the relevant Fund which is binding on each of its investors. A copy of the Trust Deed is available on request from the Manager.

This is based on information, law and practice as at the "valid as at" date on the front cover and below. The Schemes and the Manager cannot be bound by a Prospectus which is out of date when a new version has been issued. Investors should check with the Manager that this is the most recently published Prospectus.

## **US Tax Reporting**

The Scheme is required to comply with certain reporting requirements in order to avoid a 30% US withholding tax on interest income and the proceeds of sales of US securities and other US financial instruments. Complying with such requirements may require the Scheme to request certain information and documentation from Unitholders, and to agree to provide such information and documentation to the IRS if requested to do so. Any Unitholder that fails to provide the required information may be subject to a compulsory redemption of their units and/or mandatory penalties.

Units have not been and will not be registered under the United States Securities Act of 1933, as amended. They may not be offered or sold in the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia or offered or sold to US Persons (as defined below). The Scheme has not been and will not be registered under the United States Investment Company Act of 1940, as amended. The Manager has not been and will not be registered under the United States Investment Advisers Act of 1940.

A "U.S Person" means any citizen or resident of the United States of America, its territories and possessions including the State and District of Columbia and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico), any corporation, trust, partnership or other entity created or organised in or under the laws of the United States of America, any state thereof or any estate or trust the income of which is subject to United States federal income tax, regardless of source. The expression also includes any person falling within the definition of the term "U.S Person" under Regulation S promulgated under the United States Securities Act of 1933.

This Prospectus is dated and valid as at 11th July 2018.

## **DEFINITIONS**

<b>“the Act”</b>	the Financial Services and Markets Act 2000 as amended, restated, re-enacted or replaced from time to time.
<b>“Collective Investment Scheme Sourcebook” or “COLL”</b>	the Collective Investment Schemes Sourcebook made by the FCA pursuant to Section 247 of the Act as amended, restated, re-enacted or replaced from time to time.
<b>“FCA”</b>	the Financial Services Authority in respect of matter prior to 1 April 2013 and, in respect of matters after that date, the Financial Conduct Authority or any successor entity from time to time.
<b>"Investment Adviser"</b>	the Investment Advisers specified in section 4 of this Prospectus.
<b>"ISA"</b>	an individual savings account under the Individual Savings Account Regulations 1998 (as amended).
<b>“The Manager”</b>	Marlborough Fund Managers Limited.
<b>“The Scheme(s)”</b>	Marlborough Bond Income Fund, Marlborough Global Bond Fund, Marlborough Special Situations Fund, Marlborough UK Micro-Cap Growth Fund, Marlborough High Yield Fixed Interest Fund, Marlborough UK Multi-Cap Growth Fund, Marlborough Extra Income Fund.
<b>“The Trust Deed”</b>	a trust deed constituting a Scheme as amended by any supplemental deeds.
<b>“The Trustee”</b>	HSBC Bank plc.
<b>“Unit”</b>	a Class A, Class B and/or Class P income or accumulation Unit in the Schemes (as applicable).
<b>“Unitholder”</b>	a holder of Units in one of the Schemes.
<b>"UCITS Directive"</b>	means the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relation to undertakings for collective investment in transferable securities (UCITS) (No. 2009/65/EC) (as amended);
<b>"UCITS Scheme"</b>	means a collective investment scheme such as the Schemes which is authorised by the FCA and which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive.

## **1 THE AUTHORISED FUND MANAGER**

Name	Marlborough Fund Managers Limited.
Corporate form	Private limited company.
Country of incorporation	Incorporated in England and Wales.
Holding company	A wholly owned subsidiary of Marlborough Group Holdings Limited, the Manager's ultimate holding company is UFC Fund Management plc which is incorporated in England and Wales.
Registered office and head office	Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP
Date of Incorporation	3 October 1986
Share Capital	Issued and paid up share capital of £50,000.
Authorisation	Authorised and regulated by the Financial Conduct Authority
Remuneration Policy	<p>The Manager has put in place a remuneration policy (the "Remuneration Policy") that is in accordance with the requirements of SYSC 19 E of the FCA. The Remuneration Policy is designed to ensure that the Manager's remuneration practices are consistent with and promote sound and effective risk management, do not encourage risk taking and are consistent with the risk profile of the Schemes. The Manager considers the Remuneration Policy to be appropriate to the size, internal operations, nature scale and complexity of the Schemes and in line with the risk profile, risk appetite and the strategy of the Schemes.</p>

The matters covered by the Remuneration Policy include:

- An assessment of the individual member of staff's performance;
- restrictions on the awarding of guaranteed variable remuneration;
- the balance between fixed and variable remuneration;
- any payment of remuneration in the form of units or shares in the Schemes;
- any mandatory deferral periods for the payment of some or all of the variable remuneration component;
- the reduction or cancellation of remuneration in the case of underperformance.

The Remuneration Policy will apply to the fixed and variable (if any) remuneration received by the identified staff.

The Manager will make details of its latest Remuneration Policy available on its website, [www.marlboroughfunds.com](http://www.marlboroughfunds.com), including a description of how remuneration and benefits are calculated and the identity of the persons responsible for awarding the remuneration and benefits. The Manager will provide paper copies free of charge upon written request to its operating address.

In respect of any investment management delegates, the Manager requires that:(i) the entities to which such activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable under the European Securities and Market's (ESMA's) Guidelines on Sound Remuneration Policies under the UCITS Directive and AIFMD / Article 14 of the UCITS Directive; or (ii) appropriate contractual arrangements are put in place with entities to which such activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in the ESMA Guidelines or the FCA Handbook.

## **2 THE TRUSTEE**

Name	HSBC Bank plc.
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Corporate form	a public limited company incorporated in England and Wales with company registration number 00014259.
Holding company	The Trustee's ultimate holding company is HSBC Holdings plc, which is incorporated in England and Wales.
Registered office and head office	8, Canada Square, London, E14 5HQ.
Principal business activity	Provision of financial services, including trustee and depositary services.
Authorisation	Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Terms of appointment	<p>Pursuant to the agreement dated 18th March 2016 between the Schemes, the Manager and the Trustee (the "Depositary Services Agreement") and for the purposes of and in compliance with the Regulations, the Trustee has been appointed as the Trustee to the Schemes. The appointment of the Trustee under the Depositary Services Agreement may be terminated without cause by not less than 6 months written notice provided that the Depositary Services Agreement does not terminate until a replacement Trustee has been appointed.</p> <p>The fees to which the Trustee is entitled are set out below under the heading "Charges".</p>
Key Duties of the Trustee	<p>The Trustee provides services to the Schemes as set out in the Depositary Services Agreement and, in doing so, shall comply with the Regulations. The Trustee's duties include the following:</p> <ul style="list-style-type: none"> <li>(i) ensuring that the Scheme's cash flows are properly monitored and that all payments made by or on behalf of applicants upon the subscription to units of the Schemes have been received.</li> <li>(ii) safekeeping of the Scheme Property, which includes (i) holding in Custody all financial instruments that can be registered in a financial instrument account opened in the Trustee's books and all financial instruments that can be physically delivered to the Trustee; and (ii) verifying the ownership of other assets and maintaining records accordingly.</li> <li>(iii) ensuring that issues, redemptions and cancellations of the units of each Scheme are carried out in accordance with the Trust Deed, the Prospectus and the Regulations.</li> <li>(iv) ensuring that in transactions involving Scheme Property any consideration is remitted to the Schemes within the usual time limits.</li> <li>(v) ensuring that the value of the units of the Schemes is calculated in accordance with the Regulations.</li> <li>(vi) carrying out the instructions of the Manager unless they conflict with the Trust Deed, the Prospectus or the Regulations.</li> <li>(vii) ensuring that a Scheme's income is applied in accordance with the Regulations.</li> </ul>
Delegation of safekeeping function	<p>The Trustee may delegate its safekeeping functions subject to the terms of the Depositary Services Agreement. The Trustee has delegated to a number of delegates the custody of certain Scheme Property entrusted to the Trustee for safekeeping in accordance with the terms of written agreements between the Trustee and those delegates.</p> <p>A list of delegates is set out in Appendix 7. Unitholders should note that the list of delegates is updated only at each Prospectus review.</p>

## Conflicts

From time to time actual or potential conflicts of interest may arise between the Trustee and its delegates. For example, such conflicts may arise; (i) where an appointed delegate is an affiliated group company and is providing a product or service to the Schemes and has a financial or business interest in such product or service; or, (ii) where an appointed delegate is an affiliated group company which receives remuneration for other related products or services it provides to the Schemes. The Trustee maintains a conflict of interest policy to address this.

In addition, actual or potential conflicts of interest may also arise between the Schemes, the Unitholders or the Manager on the one hand and the Trustee on the other hand. For example, such actual or potential conflict may arise because the Trustee is part of a legal entity or is related to a legal entity which provides other products or services to the Schemes and from which fees and profits in relation to the provision of those products or services may arise and from which the Trustee may benefit directly or indirectly. In addition, the Trustee may have a financial or business interest in the provision of such products or services, or receives remuneration for related products or services provided to the Schemes, or may have other clients whose interests may conflict with those of the Schemes, the Unitholders or the Manager.

In particular, HSBC Bank plc may provide foreign exchange services to the Schemes for which they are remunerated out of the property of the Schemes. HSBC Bank plc or any of its affiliates or connected persons may also act as market maker in the investments of the Schemes; provides broking services to Schemes and/or to other funds or companies; acts as financial adviser, banker, derivatives counterparty or otherwise provides services to the issuer of the investments of the Schemes; acts in the same transaction as agent for more than one client; has a material interest in the issue of the investments of the Schemes; or earns profits from or has a financial or business interest in any of these activities.

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

The Trustee has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any actual or potential conflict of interest. The Trustee has functionally and hierarchically separated the performance of its trustee tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Trustee issues to be properly identified, managed and monitored.

## Liability of the Depositary

In general, the Trustee is liable for losses suffered by the Schemes as a result of its negligence or wilful default to properly fulfil its obligations. Subject to the paragraph below, and pursuant to the Depositary Services Agreement, the Trustee will be liable to the Schemes for the loss of financial instruments of the Schemes which are held in its custody. The Trustee will not be indemnified out of the Scheme Property for the loss of financial instruments where it is so liable.

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

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

In the event there are any changes to the Trustee's liability under the Regulations, the Manager will inform unitholders of such changes without delay.

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

Updated Information

Up to date information regarding the name of the Trustee, any conflicts of interest and delegations of the Trustee's safekeeping functions will be made available to unitholders upon written request to the Manager.

### **3 THE REGISTER**

REGISTRAR Marlborough Fund Managers Limited

Address Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

The Register of Unitholders is maintained and can be inspected at the office of the Manager, as shown above.

### **4 THE INVESTMENT ADVISERS**

Investment advisers have been appointed to act in that capacity for the Schemes covered by this document.

Terms of appointment of the Investment Advisers

The Investment Advisers undertakes the investment management of each of the Schemes in accordance with the Trust Deeds, this Prospectus, the applicable investment objectives and the policy of the Scheme and COLL. Under each investment advisory agreement the relevant Investment Adviser may call on the Manager to ratify and confirm any act or thing lawfully and properly done by it in the proper performance of its duties. The Investment Advisers have authority to make investment decisions on behalf of the Manager. The Investment Advisers are remunerated by the Manager out of the preliminary charge and the periodic charge (see Appendix 1) under agreements between the Investment Advisers and the Manager.

Each investment advisory agreement may be terminated by the Manager with immediate effect where it is in the interests of Unitholders to do so.

The Investment Advisers appointed in relation to each of the Schemes are as follows:

#### **Marlborough Special Situations Fund, Marlborough UK Multi-Cap Growth Fund, Marlborough UK Micro-Cap Growth Fund and Marlborough Extra Income Fund**

Name: Hargreave Hale Limited.  
Registered office and head office: Talisman House, Boardmans Way, Blackpool, Lancashire, FY4 5FY.  
Authorisation: Authorised and regulated by the Financial Conduct Authority.  
Principal Activity: Stockbrokers.

#### **Marlborough High Yield Fixed Interest Fund**

Name: Aberdeen Asset Managers Limited  
Registered office and head office: Bow Bells House, 1 Bread Street, London, EC4M 9HH.  
Authorisation: Authorised and regulated by the Financial Conduct Authority.  
Principal Activity: Investment Management.

#### **Marlborough Fund Managers Limited has retained the investment management of the following Schemes:**

- Marlborough Bond Income Fund; and
- Marlborough Global Bond Fund.

### **5 THE AUDITOR**

Name Barlow Andrews.



## 6 CONSTITUTION OF THE SCHEMES

The dates of authorisation of each of the Schemes are set out in Appendix 1. The Schemes were established by Trust Deed on the following dates:

- (a) Marlborough Bond Income Fund – 14 July 1998 (PRN: 186936);
- (b) Marlborough Global Bond Fund – 28 May 1987 (PRN: 107342);
- (c) Marlborough Special Situations Fund – 26 May 1995 (PRN: 171953);
- (d) Marlborough UK Micro-Cap Growth Fund – 8 September 2004 (PRN: 402389);
- (e) Marlborough High Yield Fixed Interest Fund – 21 October 2004 (PRN: 407993);
- (f) Marlborough UK Multi-Cap Growth Fund – 26 May 1995 (PRN: 171954);
- (g) Marlborough Extra Income Fund – 26 May 1995 (PRN: 171951).

The Schemes are authorised Unit Trusts and are UCITS Schemes for the purposes of COLL. This means that Units in the Schemes are available for investment by all classes of investor in the UK. A UCITS Scheme benefits from certain passporting rights under the UCITS Directive.

The base currency of the Schemes is sterling. It is not intended that the Schemes will invest in any immovable property or tangible moveable property.

It is intended that the Manager will manage the Schemes so that they will be an eligible investment for the stocks and shares component of an ISA.

### **Typical Investor**

The Schemes are suitable for retail investors, professional investors and eligible counterparties whose investment requirements are aligned with the objectives, policies and risk profiles of the Schemes. The Schemes will be distributed primarily via fund platforms, wealth managers, discretionary fund managers and financial institutions. The Schemes have no complex features or guarantees and investors do not necessarily need to have investment experience however a basic understanding of investment markets, the kind of underlying investments of the Schemes and the risks involved in investment is important.

This Prospectus contains detail on the Schemes' objectives, investment strategies, risks, performance, distribution policy and fees and expenses. All investors are expected to have also read the Key Investor Information Document (KIID) which is intended to help investors understand the nature and risks of investing in the Schemes.

The Schemes may not be suitable for certain investors, including but not limited to those whose objectives and needs are not consistent with the nature of the Schemes, those who are unable to commit capital for a sufficient term or do not have sufficient resources to bear any loss which may result from an investment in the Schemes. The Schemes are also not committed to meeting any specific ethical, social, religious or environmental restrictions which some investors may be seeking.

Further information on the intended target market for the Schemes is available from the Manager upon request. If you are in any doubt as to the suitability of the Schemes, you should consult an appropriately qualified financial adviser prior to making an investment.

Class A Units are intended for direct retail investors. Class B Units are intended for retail and institutional investors, who invest via an intermediary or financial adviser. Class P Units are intended for large institutional investors and platforms. In each case investors in the relevant Unit classes will, subject to the Manager's discretion, need to meet the applicable investment requirements set out in section 17 below. Income or accumulation units are available in each Scheme as detailed in Appendix 1.

## **7 INVESTMENT OBJECTIVES AND POLICY**

The investment objectives of each of the Schemes are set out in Appendix 1 as are details of the Manager's investment policy for achieving those objectives and the eligible markets through which the Schemes may invest. The eligible markets applicable to the Marlborough Bond Income Fund and Marlborough Global Bond Fund are set out in Appendix 4. An eligible market is (in summary) a market established in an EEA State on which transferable securities admitted to official listing in the Member State are dealt in or traded.

### **Investment Powers**

COLL prescribes certain limitations on the investments which may be included in the property of each of the Schemes which are applicable to UCITS Schemes, and these are summarised in Appendix 2 and Appendix 3.

With effect from 2 February 2007 the Marlborough Bond Income Fund and the Marlborough Global Bond Fund are permitted to employ the full range of investment and borrowing powers under COLL, and Appendix 2 sets out a summary of the applicable investment and borrowing powers in relation to these Schemes.

The Marlborough Bond Income Fund and the Marlborough Global Bond Fund are permitted to invest in derivative and forward transactions for hedging purposes and for investment purposes as part of the Schemes' investment objective and policy. The Schemes' investment powers in relation to derivatives mean that for regulatory purposes they will be regarded as high volatility funds. However, it is intended that the Investment Adviser's use of derivative techniques will have the overall intention of reducing the volatility of returns, reflecting the investment policies for the Schemes generally.

The Marlborough Special Situations Fund, Marlborough UK Micro-Cap Growth Fund, Marlborough High Yield Fixed Interest Fund, Marlborough UK Multi-Cap Growth Fund, Marlborough Extra Income Fund are permitted to employ more restrictive investment and borrowing powers under COLL, and these are set out in summary in Appendix 3.

With the exception of the Marlborough Bond Income Fund and the Marlborough Global Bond Fund, the Schemes may invest in derivatives and forward transactions for hedging purposes only.

The Manager does not anticipate that the use of derivatives will have any significant effect on the risk profile of the Schemes.

## **8 TERMINATION OF THE SCHEMES**

A Scheme may be wound up upon the happening of any of the events relevant to the Scheme in question set out in COLL which include, without limitation:

- (a) if the order declaring the relevant Scheme to be an authorised unit trust is revoked;
- (b) the passing of an extraordinary resolution winding up the Scheme (provided the FCA's prior consent to the resolution has been obtained by the Manager or Trustee);
- (c) in response to a request to the FCA by the Manager or the Trustee for the revocation of the authorisation order, the FCA has agreed, inter alia, that, on the conclusion of the winding up of the Scheme, the FCA will agree to that request; and
- (d) pursuant to a scheme of arrangement which is to result in the Scheme being left with no property.

The procedure for winding up the Scheme is as follows:-

- (a) Upon the effective date of any approved scheme of arrangement pursuant to COLL the Trustee will wind up the Scheme in accordance with the approved scheme of arrangement;
- (b) in any other case, the Trustee will as soon as practicable after the Scheme falls to be wound up, realise the property of the Scheme and, after paying out of it all liabilities properly so payable and retaining provision for the costs of the winding-up distribute the proceeds to the holders and the Manager (upon production by them of evidence as to their entitlement) proportionately to their respective interests in the Scheme;

- (c) any unclaimed net proceeds or other cash held by the Trustee after the expiry of twelve months from the date on which the same became payable will be paid by the Trustee into court subject to the Trustee having a right to receive out of it any expenses incurred by him in making and relating to that payment into court;
- (d) where the Trustee and one or more Unitholders agree, the Trustee does not have to realise the property of the Scheme proportionate to the entitlement of that or those Unitholders. Instead, the Trustee may distribute that part in the form of property. Before distributing that property, the Trustee will make such adjustments or retain such provision as appears to the Trustee to be appropriate ensuring that, a proportionate share of the liabilities and costs is borne by that or those holders;
- (e) when the winding up is complete, the Trustee shall notify the FCA in writing. At the same time the Manager or Trustee shall request that the FCA revokes the order of authorisation under section 256 of the Act (as appropriate).

## **9 CHARACTERISTICS OF UNITS IN THE SCHEMES**

The Trust Deed of each of the Schemes authorises the issue of both income and accumulation Units.

### **Income Units**

An income Unit is a Unit in respect of which net income is to be distributed and which represents one undivided share in the property of the Scheme.

### **Accumulation Units**

An accumulation Unit is a Unit in respect of which net income is accumulated and retained in the property of the Scheme concerned and is reflected in the price of such Unit.

As at the date of this Prospectus the Manager intends to issue accumulation Units only in respect of the Marlborough UK Micro-Cap Growth Fund and the Marlborough Special Situations Fund. Only income Units will be issued in respect of the Marlborough Bond Income Fund, Marlborough UK Multi-Cap Growth Fund, Marlborough Extra Income Fund and the Marlborough High Yield Fixed Interest Fund. Both income and accumulation Units are available in the case of the Marlborough Global Bond Fund.

### **Unit Classes**

The Trust Deeds for the schemes allow for the issue of different unit classes. Each class may differ by factors such as fees and charges. The Classes of units currently issued by each Scheme is set out in Appendix 1. Units in each class rank *pari passu* with units of other classes in the same scheme and differ only by issue criteria and charging.

### **Switching Units**

Unitholders in a Scheme are permitted to switch all or some of their units between different unit types or classes. This includes switching from income to accumulation units or between Class A, Class B Units and/or Class P Units, where applicable, and subject to the restrictions on holding each class of unit described above and in section 17 below. Such switches of unit class or unit type can be carried out at no charge. Instructions to switch units must be received by the Manager in writing. Instructions may also be accepted, at the Manager's sole discretion, by telephone or email. Units will be switched at the next available valuation point following receipt of the instruction. The number of new units received will be determined by the price of old and new units at the valuation point when the conversion or switch is carried out. Switches between unit classes in the same scheme are not treated as a disposal for UK Tax purposes.

In no circumstances will a Unitholder who switches units in one class of units for units in any other class be given a right by law to cancel or withdraw from or cancel the transaction.

## **10 TITLE TO UNITS**

Each holder of a Unit in each of the Schemes is entitled to participate in the property of the Schemes and the income thereof in proportion to their Unit-holding. A Unitholder's right in respect of each of the Schemes as represented by his Units is that of a beneficial interest under a trust. Unitholders do not have any proprietary interest in the underlying assets of a Scheme.

Title to Units will be evidenced in a register (the "Register"). No certificates will be issued to Unitholders. A Unitholder's contract note will be evidence of title to his Units although the Register would ultimately be conclusive evidence. The Register can be inspected by Unitholders at the offices of the Manager at Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. No notice of any trust, express, implied or constructive shall be entered on the Register in respect of any Unit, and the Manager and the Trustee shall not be bound by any such notice.

A Unitholder is not liable to make any further payment after he has paid the purchase price of the Unit. Unitholders will not be liable for the debts of a Scheme.

The Trust Deed of each Scheme allows the Manager to charge a fee for issuing any documents (with the exception of the Prospectus and copies of entries on the Register relating to a Unitholder) or for amending any entry on the Register otherwise than on the issue or sale of Units.

## **11 MEETINGS AND VOTING RIGHTS**

A meeting of Unitholders duly convened and held in accordance with COLL shall be competent and by extraordinary resolution may approve any modification alteration or addition to the provisions of either the Trust Deed or the Prospectus which, the Manager and the Trustee have agreed to be a fundamental change in accordance with COLL. This would include, without limitation, any proposal for a Scheme of arrangement and certain changes to a Scheme's investment objective and/or investment policy.

Entitlement to receive notice of a particular meeting or adjourned meeting and to vote at such a meeting is determined by reference to those persons who are holders of Units on the date seven days before the notice is sent ("**the cut-off date**"), but excluding any persons who are known not to be Unitholders at the date of the meeting or other relevant date.

At a meeting of Unitholders the quorum for the transaction of business is two Unitholders, present in person or by proxy. If a quorum is not present within half an hour of the time appointed the meeting will be dissolved (if requisitioned by Unitholders) or in any other case will be adjourned to a day and time at least seven days later. If at such an adjourned meeting a quorum is not present within 15 minutes of the appointed time, one person entitled to count in a quorum will be a quorum.

On a show of hands every Unitholder who (being an individual) is present in person or by proxy, or (being a corporation) is present by one of its duly authorised representatives, shall have one vote. On a poll votes may be given in person or by proxy and the voting rights for each Unit must be the proportion of the voting rights attached to all of the Units in issue that the price of the Unit bears to the aggregate price (or prices) of all of the Units in issue on the cut-off date. A Unitholder entitled to more than one vote need not, if he votes, use all of his votes or cast all of the votes he uses in the same way. A vote will be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded by the chairman, at least two Unitholders or the Trustee.

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

A Unitholder may appoint a proxy to attend a meeting and vote in his place. An instrument appointing a proxy may be in any usual or common form or in any other form approved by the Manager. It should be in writing under the hand of the appointer or his attorney or, if the appointer is a corporation, either under the common seal, executed as a deed or under the hand of a duly authorised representative or attorney.

The Manager is entitled to attend any meeting but, except in relation to third party Units, is not entitled to count in the quorum or vote, and any Units it holds are not treated as being in issue for the purposes of the meeting. An associate of the Manager is entitled to attend the meeting and may be counted in the quorum, but may not vote except in relation to third party Units. For this purpose, third party Units are Units held on behalf of or jointly with a person who, if himself the registered Unitholder, would be entitled to vote, and from whom the Manager or the associate (as relevant) has received voting instructions.

The Unitholders may request the convening of a general meeting by requisition pursuant to and in accordance with COLL. Unitholders in general meeting may, amongst other things, pass a resolution to remove the Manager.

## **12 VALUATION OF PROPERTY**

### **Valuation of the property of the Schemes**

Each Unit represents a proportional share of the overall property attributable to a Scheme. Therefore, the value of a Unit is calculated in broad outline, by calculating the net value of property attributable to the Scheme, and dividing that value (or that part of that value attributed to Units of the class in question) by the number of Units (of the class in question) in issue. The assets comprising the property of each Scheme will be valued in accordance with COLL, on the terms as set out in Appendix 5.

The valuation of the property of each of the Schemes will take place on the days set out in Appendix 1 at 12 noon in order to calculate the prices at which Units can be created, cancelled, bought and sold.

The Schemes operate dual-pricing which means that Units in each Scheme have a buying ("offer") price and a selling ("bid") price, with the difference between these prices known as the spread.

Each valuation will be done in two parts: one on a creation basis to determine the price at which new Units may be created; and one on a cancellation basis to determine the price at which Units may be cancelled. This is explained in more detail below under the heading "**pricing basis**". The bid basis calculation will be used for calculating the investment limits for each of the Schemes. The cancellation price is available on application to the Manager.

The bid and offer basis is calculated using the best bid/offer prices of securities either traded or ordered, as at each valuation point.

For the purposes of calculating the Manager's fee, the value of the Scheme property is determined by striking the arithmetic average of the cancellation basis of the valuation and the creation basis of the valuation (i.e. on a "mid-market" basis) at the relevant valuation point.

The Manager may carry out additional valuations if it considers it desirable to do so, and must inform the Trustee if it does so.

Details of how the value of the property of the Schemes is determined in relation to each purpose for which such property must be valued is set out in Appendix 5 to this Prospectus.

### **Pricing basis**

The Manager deals at a forward price; that is to say at the price ruling at the next valuation point.

Prices are calculated according to a formula laid down by the FCA, which sets out a minimum and maximum price range.

The minimum price at which Units may be sold back to the Manager (bid price/selling price) is arrived at by valuing the assets on the basis of the amount that a Scheme would receive if the assets were sold (market prices less dealing costs and expenses) and dividing the result by the number of Units in existence. This minimum price is also known as "cancellation" price and is the lowest price that the Manager can fix as the bid price.

The maximum price at which Units may be sold by the Manager (offer price/buying price) is arrived at by valuing the assets of the Scheme on the basis of the cost of acquiring those assets (i.e. market prices, dealing costs, stamp duty etc), dividing this by the number of Units in existence and adding on the Manager's initial management charge.

The Manager sets the bid (sell) and offer (buy) prices within this permitted range.

## **13 CHARGES**

### **Preliminary charge**

The Manager may include in the issue price of Units a preliminary charge on such Units. Details of the current rate of the Preliminary Charge for each Scheme can be found in Appendix 1. The Manager may at its discretion waive or discount this charge.

### **Periodic charge**

The Manager is also entitled under the Trust Deed to make a periodic charge on the value of the property of each of the Schemes. The current levels of the periodic charge for each Scheme are shown in Appendix 1 together with details of the

basis on which the charge is made. Any increase in the periodic charge is subject to 60 days' prior written notice to the Unitholders in accordance with COLL. The Manager may at its discretion waive or discount this charge.

The periodic charge charged during a calendar month is paid to the manager no more frequently than weekly, and is charged to the income of the Schemes, except in the case of the Marlborough Extra Income Fund where the full amount is charged wholly to the capital accounts, and in the case the Marlborough Bond Income Fund and the Marlborough High Yield Fixed Interest Funds, where 50% of the Manager's periodic charge is deducted from capital rather than from income. This may constrain the capital growth of these Schemes.

### Charge on redemption

The Manager is entitled under the Trust Deeds to make a charge on redemption of Units in each of the Schemes but at present does not intend to make such a charge for any of the Schemes.

Other charges and expenses

### Remuneration of the Trustee

The Trustee is remunerated out of the property of the Schemes in respect of its services. The Trustee is currently paid on a sliding scale per annum on the total value of all funds managed by the Manager and under the trusteeship of the Trustee plus VAT of the value of the property of the Schemes. The Trustee's fee accrues daily and the calculation of the fee is based upon the first or only valuation point on each business day. The fee charged during a calendar month is paid to the Trustee on or as soon as reasonably practicable after the last business day of that calendar month.

- 0.03% per annum of the first £200 million of the Scheme property;
- 0.02% per annum of the next £800 million of the Scheme property;
- 0.01% per annum of the balance over £1 billion.

In addition, the Trustee makes transaction charges and custody charges. These charges are of such amounts as may be agreed by the Manager and the Trustee. Transaction charges vary from country to country. Details of the ranges of charges based on geographic area are given below ("Activity fee"). Custody charges vary according to geographic location and market value of the holdings (calculated in the same manner as for the Manager's periodic charge). Similar details of the ranges of charges are set out below ("Safekeeping fee").

### Ranges of charges

Geographic area	Safekeeping fee (BPS per annum)	Activity fee
United Kingdom (Crest Transaction)	0.60	£11.00
United Kingdom (Non Crest Transactions)	0.90	£20.00
United States of America (together with all assets held in Cedel)	2.00	£20.00
Euroclear / Clearstream	2.50	£22.50
Europe	2.00 to 7.00	£22.50 to £45.00
Japan	3.00	£30.00
Other markets	2.50 to 15.00	£30.00 to £60.00

The activity fees and safe keeping fees can be increased on 60 days' prior written notice to Unitholders in accordance with COLL.

### Expenses

The Trustee is entitled to be reimbursed out of the property of each of the Schemes for:

- (a) expenses properly incurred in performing duties imposed on it; or

(b) exercising powers conferred upon it by COLL,

together with any VAT due on such expenses which shall be payable in addition. The relevant duties may include without limitations:

- Delivery of stock to the Trustee or Custodian;
- custody of assets;
- collection of income
- submission of tax returns;
- handling tax claims;
- preparation of the Trustee's annual report;
- such other duties as the Trustee are required by Law to perform.

In particular, the Trustee may be paid the following expenses or disbursements (plus VAT):

- (i) All expenses of registration of assets in the name of the Trustee or its nominees or agents; of acquiring, holding, realising or otherwise dealing with any asset; of custody of documents; of insurance of documents and of collecting income or capital; of opening bank accounts; of effecting currency transactions and transmitting money relating to borrowings or other permitted transactions; of obtaining advice, including legal, accountancy or other advice; of conducting legal proceedings; of communicating with holders, the Manager, the Registrar or other persons in respect of each of the Schemes, relating to any enquiry by the Trustee into the conduct of the Manager and any report to holders or otherwise relating to the performance by the Trustee of its duties or the exercise by the Trustee of its powers; and
- (ii) All charges of nominees or agents in connection with any of the matters referred to at (i) above; and
- (iii) Any other costs, disbursements or expenses accepted under the laws of England and Wales from time to time as being properly chargeable by the Trustee.

If any person, at the request of the Trustee in accordance with COLL, provides services including but not limited to those of a custodian of property of the Schemes, the expenses and disbursements hereby authorised to be paid to the Trustee out of the property of the Scheme shall extend to the remuneration of such persons as approved by the Trustee and the Manager.

### **Additional Expenses**

Certain other expenses are also permitted by COLL and by the Trust Deed to be paid out of the property of each of the Schemes. At present these comprise in relation to each Scheme:

- (a) Transaction costs, including (without limitation):
  - (i) the fees and/or expenses incurred in acquiring, registering and disposing of investments, such as (for example) broker's commissions (where permitted under the FCA Handbook), fiscal charges and other disbursements which are necessarily incurred in effecting transactions for a Scheme and normally shown on contract notes, confirmation notes and difference accounts as appropriate;
  - (ii) the direct and indirect transaction and operational costs and/or fees arising from time to time as a result of the Manager's use of efficient portfolio management techniques (as described in Appendix 2 and Appendix 3);
- (b) Interest on any borrowings permitted under the Trust Deed and all charges incurred in negotiating, entering into, varying, carrying into effect with or without variation, maintaining and terminating the borrowing arrangements.
- (c) Taxation and duties payable in respect of the property of each of the Schemes, the Trust Deed or the issue of Units.
- (d) Any costs incurred in modifying the Trust Deed constituting each Scheme, including costs incurred in respect of meetings of Unitholders convened for the purpose, where the modification is:
  - (i) Necessary to implement any change in the law (including changes in COLL);

- (ii) Necessary as a direct consequence of any change in the law (including changes in COLL); or
  - (iii) Expedient having regard to any fiscal enactment and which the Manager and the Trustee agree is in the interests of the Unitholders; or
  - (iv) To remove obsolete provisions from the Trust Deed constituting each of the Schemes.
- (e) Any costs incurred in respect of meetings of Unitholders convened on a requisition by Unitholders not including the Manager or an associate of the Manager.
  - (f) The expenses of the Trustee in convening a meeting of Unitholders convened by the Trustee alone.
  - (g) The audit fees of the auditor and any expenses of the auditor.
  - (h) The fees of the FCA under Section 113 (8) of the Act or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Units in the Schemes are or may be marketed.
  - (i) Any payment permitted by COLL in connection with liabilities on a transfer of assets.
  - (j) All fees charged by and any expenses and disbursements agreed for payment to any registrar appointed under the Regulations; this includes fees, expenses and disbursements relating to the establishment of any sub-register. At present the Manager is the register for the Schemes. The charge is a fixed annual amount together with an additional amount for each Unitholder on the register at the beginning of the accounting period concerned. The current charge is a fixed annual amount of £200 together with an additional amount of £10.75 per Unitholder.

**Where applicable VAT shall be payable on these expenses in addition to the expenses themselves. Any such VAT will be chargeable out of the property of the Schemes.**

#### **14 ACCOUNTING PERIODS**

The annual and interim accounting periods applicable to each Scheme are set out in Appendix 1 to this Prospectus.

#### **15 REPORTS**

The dates on which the annual report (the "long report") of each of the Schemes will be made available to Unitholders is set out in Appendix 1. Copies of these long reports are available on our website at [www.marlboroughfunds.com](http://www.marlboroughfunds.com). Alternatively copies can be obtained free of charge from the Manager at its operating address or by calling 0808 145 2500.

#### **16 DETERMINATION AND DISTRIBUTION OF INCOME**

The income in relation to Units issued by the Marlborough Bond Income Fund, the Marlborough Global Bond Fund, the Marlborough UK Multi-Cap Growth Fund, the Marlborough Extra Income Fund and the Marlborough High Yield Fixed Interest Fund is distributed to all respective Unitholders of income Units in accordance with the provisions of the Trust Deed of the relevant Scheme and COLL. The annual and interim allocation dates for this Scheme are set out in Appendix 1.

The distribution periods for each Scheme are detailed in Appendix 1. Units purchased within these periods will be Group 2 Units. At the next distribution they become Group 1 Units.

Income equalisation applies only to Group 2 Units. It is the average amount of income included in the purchase price of all Group 2 Units and is refunded to Unitholders of these Units as a return of capital. Upon the first allocation of income following the purchase of a Unit in a Scheme, the relevant Unitholder will receive as part of that allocation a capital sum representing that part of the purchase price of the Unit which was attributable to income accrued up to the time of purchase and is, accordingly, properly classifiable as a capital expense of the Unitholder at the time of purchase.

The amount so paid, known as "income equalisation", will be an amount arrived at by taking the aggregate of the Manager's best estimate of the amounts of income included in the price of Units of that class issued or sold in the annual accounting period in question and dividing that aggregate by the number of those Units and applying the resultant average to each of the Units in question. Being capital it is not liable to income tax but must be deducted from the cost of Units for the purposes of UK taxation of chargeable gains.



In the case of accumulation Units, income is allocated to the Unit such that it becomes part of the capital property of that Unit.

The income available for distribution or accumulation in relation to each Scheme is determined in accordance with COLL. Broadly it comprises all sums deemed by the Manager, after consultation with the Auditor, to be in the nature of income received or receivable for the account of the Scheme and attributable to the Scheme in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the Manager considers appropriate, after consulting the Auditors in accordance with COLL, in relation to taxation and other matters.

Payments will be made by bank automated credit system. Cheques will not be sent for new investors who invest after 11th July 2018. Where new investor's bank details are not known or are inaccurate, accumulation shares will be purchased, where available, otherwise any income from income shares will be reinvested.

If any distributions are unclaimed these will be added to the capital of the Scheme concerned after the expiration of six years from the date of the distribution.

## 17 **ISSUE AND REDEMPTION OF UNITS**

### **Dealing**

Units in the Schemes may be bought or sold on any day the Manager is open for business. These "business days" are normally Monday to Friday each week between 9.00 a.m. to 5.00 p.m. Business days do not include:

- bank and public holidays;
- the afternoon of the last business day before 25 December;
- the afternoon of the last business day of the year; and
- any other day at the Manager's discretion.

Subject to any restrictions applicable to certain classes of units, Units may be bought and sold by written instructions to Marlborough Fund Managers Limited, Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. The Manager may also, at its sole discretion, accept instructions by telephone on 0808 145 2501 or by facsimile on 01204 533 045 on such terms as it may specify.

Instructions accepted on any day will be dealt with at the next valuation point following receipt of such instructions. Valuation points for each of the Schemes can be found in Appendix 1.

### **Buying Units**

Units will be allocated at not more than the true offer price applicable at the next valuation point following receipt of instructions.

Save where the Manager, in exceptional circumstances, agrees to a lower figure the following minima apply to the Units issued by each of the Schemes:

<b>Unit class</b>	<b>Minimum initial investment</b>	<b>Minimum subsequent investment</b>
Class A	£1,000	£1,000
Class B	£50,000	£1,000
Class P	£1,000,000	£1,000

A contract note giving details of the transaction will be issued on the next business day following purchase. Settlement is due by return of post on receipt of the contract note. Unit certificates will not be issued. The contract note will be evidence of title although the register would ultimately be conclusive evidence.

Applications for Units, however made, are irrevocable (except in the case where cancellation rights are applied – see below). Subject to its obligations under COLL, the Manager reserves the right to reject any application in whole or in part. In that event application monies or any balance will be returned to the applicant by post at the applicant's risk.

Where the total price payable for all units for which the application is made would include a fraction of one penny it will be rounded up or down to the nearest penny. Payment in respect of applications must be received no later than the fourth business day after the relevant dealing day. However, the Manager reserves the right to request that payment in respect of applications be received prior to the relevant dealing day.

If an applicant defaults in making any payment in money or transfer of property due to the Manager in respect of the purchase of units, that applicant shall indemnify the Manager and/or the relevant Scheme (as the case may be) in respect of any loss or cost incurred by either of them as a result of such default and the Manager is entitled to make any necessary amendment to the register as a result. The Manager may in its discretion delay arranging for the issue of the units until payment has been received.

Applicants who have received advice may have the right to cancel their application to buy units at any time during the 14 days after the date on which they receive a cancellation notice from the Manager. If an applicant decides to cancel the investment, and the value of the investment has fallen at the time the Manager receives the completed cancellation notice, they will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested.

### **In specie application**

The Manager may, by special arrangement and at its discretion, agree to arrange for the issue of Units in exchange for assets other than cash but only if the Trustee is satisfied that acquisition of the assets in exchange for the Units to be issued is not likely to result in any material prejudice to the interests of Unitholders or potential Unitholders of the Scheme concerned.

### **Selling Units**

Holders may redeem Units by application in writing to the Manager. The Manager will normally buy back Units from registered holders free of commission, at not less than the true bid price (except in the case of a “Large Deal”, see below) applicable at the next valuation point following receipt of instructions. Instructions can also be given by telephone or facsimile although redemption proceeds will only be released upon the Manager's receipt of an original copy of the investor's signature.

A contract note will be issued to confirm the transaction. Payment of the amount due will be issued by the close of the fourth business day following the later of:

- (a) the valuation point immediately after the request to redeem; or
- (b) the time when the Manager has all duly executed instruments and authorisations to effect transfer of title to the Units (normally on receipt of a properly completed renunciation form from the Unitholder).

Payment of redemption proceeds will only be made after the completion of any Money Laundering Regulations (see below).

The following redemption and holding requirements apply to the unit classes:

<b>Unit class</b>	<b>Minimum holding</b>	<b>Minimum redemption</b>
Class A	£1,000	£500
Class B	£50,000	£500
Class P	£1,000,000	£500

### **Note: Definition of a Large Deal**

Deals of more than £15,000 will be considered “large deals” for the purposes of COLL. This allows the Manager the right to give cancellation price (minimum bid) on redemption deals over £15,000 by any person as principal, either as a single transaction, or as a series of transactions totalling over £15,000 in value, in one dealing period in the Scheme.

### **In specie redemption**

Where a Unitholder requests redemption of a number of Units, the Manager may at its discretion, by serving a notice of election on the Unitholder not later than the close of business on the second business day following the day of receipt of

the request, elect that the Unitholder shall not be paid the redemption price of his Units but instead there shall be a transfer to that holder of property of the relevant Scheme having the appropriate value. Where such a notice is so served on a Unitholder, the Unitholder may serve a further notice on the Manager not later than the close of business on the fourth business day following the day of receipt by the Unitholder of the first mentioned notice requiring the Manager, instead of arranging for a transfer of property, to arrange for a sale of that property and the payment to the Unitholder of the net proceeds of that sale. The selection of Scheme property to be transferred (or sold) is made by the Manager in consultation with the Trustee, with a view to achieving no more advantage or disadvantage to the Unitholder requesting redemption of his Units than to continuing Unitholders. The Manager may retain out of the property to be transferred (or the proceeds of sale) property or cash of value or amount equivalent to any SDRT to be paid in relation to the cancellation of the Units.

### **Electronic Communication of Transfer / Renunciation of Title to Funds**

The Manager may accept instructions to transfer or renounce title to units by electronic communication in certain, limited circumstances following our prior agreement which will only be given on a case by case basis. In such circumstances the Manager will accept electronic communication only where the Manager can satisfy itself that the communication is from the unitholder and is genuine. The Manager does not intend, however, to accept electronic instructions as a matter of course and will require signed, hard copy instructions in accordance with the above.

### **DEFERRED REDEMPTION**

In times of high levels of redemption, the Manager may, with the prior agreement of the Trustee, or shall if the Trustee so requires, permit deferral of redemptions to the next valuation point where the total value of the redemptions requested together represent over 10% of the Fund's net asset value. Subject to sufficient liquidity being raised at the next valuation point all redemption requests relating to the earlier valuation point will be completed before those relating to the later valuation point.

### **Publication of Prices**

The bid and offer prices of Units are published in the Financial Times, where there are both Income and Accumulation Units in issue only the price of Income Units will be published. **Where both Class A and Class B Units are in issue, only the price of Class A Units will be published.** In addition, all prices can be obtained from our website [www.marlboroughfunds.com](http://www.marlboroughfunds.com) or by calling us on 0808 145 2500. The cancellation prices last notified to the Trustee are available on request from the Manager. The Manager is not responsible for any errors in publication or non-publication.

### **Mandatory redemption of Units**

If the Manager reasonably believes that any Units are owned directly or beneficially in circumstances which:

- (a) constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) may (or may if other shares are acquired or held in like circumstances) result in a Scheme incurring any liability to taxation or suffering any other adverse consequences (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory);
- (c) are held in any manner by virtue of which the Unitholder(s) in question is/are not qualified to hold such Units or;
- (d) are owned by a Unitholder who is registered in a jurisdiction (where the Scheme is not registered or recognised by the relevant competent authority) whereby communication with that unitholder by the Manager, on behalf of the Scheme, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the Manager to prevent such a communication constituting a breach),

it may give notice to the holder of such Units requiring him or her to transfer them to a person who is qualified or entitled to own them or to request the redemption of the shares by the Manager. If the holder does not either transfer the shares to a qualified person or establish to the Manager's satisfaction that he or she and any person on whose behalf he or she holds the shares are qualified and entitled to hold and own them, he or she will be deemed on the expiry of a thirty-day period to have requested their redemption.

### **Suspension of Dealings**

The Manager may with the prior agreement of the Trustee, and must without delay, if the Trustee so requires, temporarily

suspend the issue, cancellation, sale, redemption and exchange of any shares in a Fund ("dealing") where due to exceptional circumstances it is in the interests of all unitholders in the Fund.

The Manager and the Trustee must ensure that the suspension is only allowed to continue for so long as it is justified having regard to the interests of the unitholders. On suspension, the Manager, or the Trustee (if the Trustee has required the Manager to suspend dealings) will immediately inform the FCA stating the reason for the suspension and as soon as practicable give written confirmation of the suspension and the reasons for it to the FCA.

The Manager will notify unitholders of the suspension as soon as practicable after suspension commences, drawing unitholders' particular attention to the exceptional circumstances which resulted in the suspension in a manner that is clear, fair and not misleading, and will inform unitholders of how to obtain further information regarding the suspension with a view to keeping unitholders sufficiently informed. The Manager shall publish on its website and/or by other general means sufficient details to keep unitholders appropriately informed about the suspension including, if known, its likely duration.

During a suspension none of the obligations in COLL 6.2 (Dealing) apply; and the Manager shall comply with as much of COLL 6.3 (Valuation and pricing) as is practicable in the light of the suspension. The suspension of dealings in units must cease as soon as practicable after the exceptional circumstances which led to the suspension, have ceased.

The Manager and the Trustee shall formally review the suspension at least every 28 days and inform the FCA of the results of this review and any change to the information provided to the FCA in respect of the reasons for the suspension.

The Manager shall inform the FCA of the proposed restart of dealing in units and immediately after the restart shall confirm this by giving notice to the FCA.

The Manager may agree, during the suspension, to deal in units in which case all deals accepted during, and outstanding prior to, the suspension will be undertaken at a price calculated at the first valuation point after restart of dealing in units, provided that if the Manager operates limited redemption arrangements, and the event leading to the suspension of dealing has affected a valuation point, the Manager shall declare an additional valuation point as soon as possible after the restart of dealing in units.

The provisions relating to suspension of dealings can only apply to one or more classes of units without being applied to other classes, if it is in the interest of all the unitholders.

## **18 UK TAXATION**

THE FOLLOWING SUMMARY IS BASED ON CURRENT UK LAW AND HM REVENUE & CUSTOMS' PRACTICE WHICH MAY CHANGE. IT IS INTENDED TO OFFER SOME GUIDANCE TO PERSONS (OTHER THAN DEALERS IN SECURITIES) ON THE UK TAXATION OF THE SCHEME AND ITS UNITHOLDERS. IT SHOULD NOT BE REGARDED AS DEFINITIVE OR EXHAUSTIVE AND PROSPECTIVE INVESTORS SHOULD SEEK THEIR OWN PROFESSIONAL ADVICE ON THE TAXATION OR EXCHANGE CONTROL CONSEQUENCES OF INVESTING IN ANY OF THE SCHEMES.

IN PARTICULAR, THIS SUMMARY PRINCIPALLY ADDRESSES THE TAXATION CONSEQUENCES FOR AN INVESTOR WHO IS AN INDIVIDUAL RESIDENT AND DOMICILED IN THE UK FOR UK TAX PURPOSES, ALTHOUGH IT DOES NOT TAKE ACCOUNT OF PARTICULAR INDIVIDUAL CIRCUMSTANCES. CONSEQUENTLY POTENTIAL INVESTORS WHO ARE NOT INDIVIDUALS AND POTENTIAL INVESTORS WHO MAY BE SUBJECT TO TAXATION OR EXCHANGE CONTROL IN A JURISDICTION OTHER THAN THE UK SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISERS.

### **I TAXATION OF THE SCHEME**

#### **(a) Income**

As an authorised Unit trust, each Scheme is treated as a company and consequently is liable to corporation tax on its taxable income, after relief for its allowable expenses of management. Corporation tax will be payable at a special rate applicable to authorised Unit trusts (currently 20%). Where an accounting period of the Scheme falls into two financial years for which different tax rates apply, there will be an apportionment of income between them for tax purposes.

None of the Schemes will be chargeable to UK corporation tax on dividends from UK resident companies.

If, for an accounting period, allowable management expenses exceed a Scheme's taxable income then that Scheme generates a tax loss for that period.

Income from overseas sources may be taxed in that overseas jurisdiction as well as in the UK. Depending on the exact circumstances, some or all of that overseas tax may be offset against UK corporation tax payable by the Scheme.

## **(b) Chargeable gains**

As an authorised Unit trust, each Scheme is exempt from UK capital gains tax and corporation tax on chargeable gains arising on the sale of its investments. The Schemes will not be entitled to corporation tax relief on losses which are treated as capital in nature.

## **(c) Stamp taxes**

There is no specific exemption from stamp duty or stamp duty reserve tax ("SDRT") for authorised Unit trusts. Consequently, each Scheme will be liable to pay such taxes as normal when it purchases underlying investments. Stamp duty is paid on a transaction involving stock or marketable securities, and the rate is 0.5% of the value of the stock or securities. SDRT is paid on an agreement to transfer chargeable securities, and the rate is 0.5% of the value of the stock or securities.

## **II TAXATION OF THE UNITHOLDER**

### **(a) Income**

For each Scheme, the amounts shown as available for distribution in the distribution accounts of that Scheme may be designated by that Scheme for distribution as dividends or as yearly interest, but only a Unit trust holding more than 60% of its investments in interest-bearing securities can designate distributions as yearly interest.

### **MARLBOROUGH SPECIAL SITUATIONS FUND, MARLBOROUGH UK MULTI-CAP GROWTH FUND, MARLBOROUGH UK MICRO-CAP GROWTH FUND AND MARLBOROUGH EXTRA INCOME FUND (the "Non-Bond Schemes")**

It is expected that each of the four Schemes listed as Non-Bond Schemes above will show amounts available for distribution as available for distribution as dividends, in which case the following will apply.

The Scheme will generally make dividend distributions which broadly reflect any income arising from its investments. Dividend distributions by the Scheme are made without deduction of income tax. The first £2,000 of dividend distributions received by individual investors in any tax year are not subject to income tax. Dividend distributions received in excess of this amount should be reported on the individual investor's Self Assessment Tax Return. For distribution amounts in excess of £2,000 in any tax year, individual investors liable to income tax at the basic rate will have an additional liability to income tax equal to 7.5% of the dividend distribution to the extent that such sum, when treated as the top slice of his income, falls above the threshold for basic rate tax. Higher rate taxpayers will have a further liability to income tax equal to 32.5% of the dividend distribution to the extent that such sum, when treated as the top slice of his income, falls above the threshold for higher rate tax. Additional rate taxpayers will have a further liability to income tax equal to 38.1% of the dividend distribution to the extent that such sum, when treated as the top slice of his income, falls above the threshold for the additional rate of tax.

Dividend distributions received by corporate Unitholders chargeable to UK corporation tax will need to be streamed into 'franked' and 'unfranked' income according to the underlying gross income of the Scheme.

In broad terms, the portion treated as being 'franked' will be such proportion of the Scheme's total income (brought into account when determining the distribution for the period in question) which consists of dividend income received which is treated as exempt under Part 9A of CTA 2009. The 'franked' portion will be treated as exempt dividend income when received by a UK resident corporate Unitholder (unless the Unitholder is treated as a dealer in securities for tax purposes). The 'unfranked' portion will be treated as an annual payment from which income tax at a rate of 20% has been deducted. A UK resident corporate Unitholder will, therefore, be subject to corporate tax at the rate applicable to that corporate Unitholder but with credit for the income tax deducted. Such Unitholders may, therefore, be liable to further tax and any ability to claim repayment of the income tax credit will be limited to the corporate Unitholder's share of the Scheme's liability to corporation tax for the distribution period in question.

Dividend distributions will be made gross to Unitholders who are not UK resident. Non resident Unitholders who are individuals are not liable to UK income tax on the dividend distribution. Non-UK resident Unitholders are recommended to seek professional advice as to the tax consequences of receiving a dividend distribution under the law of the jurisdiction of their residence.

Non resident trusts may be chargeable to UK income tax on distributions made by the Scheme and are recommended to seek professional advice.

**MARLBOROUGH BOND INCOME FUND, MARLBOROUGH GLOBAL BOND FUND, MARLBOROUGH HIGH YIELD FIXED INTEREST FUND (the "Bond Schemes")**

It is expected that each of the three Schemes listed as Bond Schemes above will show amounts available for distribution as yearly interest, in which case the following will apply.

For holders of accumulation Units, the UK tax treatment will be the same as if they held income Units, albeit that they do not receive the income represented by the yearly interest distribution at the time of that distribution and that income is instead re-invested. Such holders will be treated as having received the re-invested income and will be issued a tax voucher accordingly.

The three Schemes listed as Bond Schemes above will make all interest distributions gross, that is without the deduction of income tax.

For Unitholders who are individuals resident in the UK and other Unitholders within the charge to UK income tax, the distribution is treated as savings income in the hands of individuals, however, no tax will be deducted from the interest distributions at source. Income is taxable at the basic rate (20%), higher rate (40%) or additional rate (45%) depending on the individual's personal tax circumstances. The first £1,000 of total savings income from all sources for basic rate taxpayers (£500 for higher rate taxpayers) is not subject to UK tax, although it forms part of the individual's total income for the purpose of calculating their income tax liability.

For Unitholders within the charge to UK corporation tax (which includes non-resident Unitholders who are carrying on a trade in the UK through a permanent establishment) and Unitholders who are resident in countries other than the UK for tax purposes, no tax will be deducted from the interest distribution at source. The tax regime relating to corporate loan relationships contained in Part 5 of the Corporation Tax Act 2009 is generally applied to yearly interest distributions to such Unitholders as if the yearly interest distribution were interest on a loan by the Unitholder to the Bond Scheme in question.

For Unitholders who are resident in countries other than the UK for tax purposes (and who do not fall within the categories of Unitholders described in the previous two paragraphs), no tax will be deducted from the interest distribution at source.

The proceeds represented by the yearly interest distribution may be classed as "savings income" for the purposes of the UK's implementation of the European Union Directive on the Taxation of Savings Income (2003/48/EC) (the "Savings Tax Directive"). Broadly, this means that where individual Unitholders resident in an EU member state (other than the UK) or a territory which is prescribed for the purposes of the Savings Tax Directive receive a yearly interest distribution, the Scheme (or the Manager) may be under an obligation to meet certain disclosure requirements in the UK.

**(b) Chargeable gains**

**MARLBOROUGH SPECIAL SITUATIONS FUND, MARLBOROUGH UK MULTI-CAP GROWTH FUND, MARLBOROUGH UK MICRO-CAP GROWTH FUND AND MARLBOROUGH EXTRA INCOME FUND (the "Non-Bond Schemes")**

For each of the four Schemes listed as Non-Bond Schemes above, the following will apply.

Capital gains made by individual Unitholders who are resident in the UK for tax purposes on the sale, disposal or as a result of any other chargeable event will be tax free if they fall within an individual's annual capital gains exemption. For the tax year 2018/2019, the first £11,700 of an individual's chargeable gains (that is after deduction of allowable losses) from all sources will, therefore, be exempt from capital gains tax. Subject to their personal circumstances, gains in excess of this amount are taxed at 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers.

Unitholders who are non UK resident will not normally be liable to UK tax on capital gains arising on a sale, disposal or other chargeable event unless the unit holding is connected with a trade carried on by the Unitholder through a UK branch or agency or certain anti-avoidance provisions relating to temporary non-UK residence apply.

Capital gains made by Unitholders liable to UK corporation tax will be taxable at the corporation tax rate applicable to that corporate Unitholder after taking account the availability of any indexation relief. The main rate of corporation tax is currently 19%.

## **MARLBOROUGH BOND INCOME FUND, MARLBOROUGH GLOBAL BOND FUND, MARLBOROUGH HIGH YIELD FIXED INTEREST FUND (the "Bond Schemes")**

It is expected that each of the three Schemes listed as Bond Schemes above will make investments such that more than 60% of the market value of those investments is invested in "qualifying investments" (which, broadly means interest-bearing investments). On this basis, the following will apply.

On the disposal of Units in any of the Bond Schemes, Unitholders who are UK resident or ordinarily resident individuals should be treated for UK tax purposes in the same way as on a disposal of Units in any of the Non-Bond Schemes. That is to say, they may, depending on their personal circumstances, be charged to UK capital gains tax on any chargeable gains arising from the disposal. Disposal for these purposes includes a sale or redemption of such Units. No UK capital gains tax would be chargeable to the extent that an individual's total chargeable gains for the year falls within his or her annual exemption.

Chargeable gains arising from the disposal of Units in any of the Bond Schemes to Unitholders within the charge to UK corporation tax (which includes non-resident Unitholders who are carrying on a trade in the UK through a permanent establishment) are subject to different UK tax treatment than gains arising to such Unitholders on a disposal of Units in one of the Non-Bond Schemes. In relation to a disposal of Units in any of the Bond Schemes by such a Unitholder, the tax regime relating to corporate loan relationships contained in Part 5 of the Corporation Tax Act 2009 should apply. As such, any gain on that disposal (provided, in the case of a non-resident Unitholder carrying on a trade in the UK through a permanent establishment, the Units disposed of were used by or held for the purposes of such trade or such permanent establishment) will generally be treated as a profit or gain from that loan relationship and should be brought into account accordingly.

For accumulation Units, income accumulated and on which income tax or corporation tax on income has been paid can be added to the cost of those accumulation Units when computing the amount of any chargeable gain.

Proceeds on the redemption of Units are paid without deduction of tax.

The proceeds of a sale, refund or redemption of Units in any of the Bond Schemes may be classed as "savings income" for the purposes of the UK's implementation of the Savings Tax Directive. Broadly, this means that where individual Unitholders resident in an EU member state (other than the UK) or a territory which is prescribed for the purposes of the Savings Tax Directive receive such proceeds, the Scheme (or the Manager) may be under an obligation to meet certain disclosure requirements in the UK.

### **(c) Inheritance tax**

Units held in any of the Schemes will generally form part of a person's estate and will therefore potentially be subject to UK inheritance tax ("IHT").

IHT is chargeable on the death of a person, on gifts made within the seven years before a person's death and (immediately) on gifts to most types of trusts. The rate of tax is 0% up to a cumulative nil-rate limit (currently £325,000). The excess is charged at 20% where the tax is charged during a person's lifetime and 40% if the tax is charged on or by reference to the person's death. Where tax is charged both during lifetime and again on death by reference to the same transfer, credit is given for the lifetime tax suffered.

For these purposes gifts may include transfers at less than full market value unless the transferor can show that there was no gratuitous intent.

For investors who are neither domiciled in the UK nor (by virtue or long-residence here) deemed to be domiciled in the UK, Units held in any of the Schemes are likely to be treated as excluded property. The same treatment is likely to apply to Units held by a trust established by a person who was, at the time the trust was established, neither domiciled nor deemed domiciled in the UK.

### **III STAMP DUTY RESERVE TAX ("SDRT")**

***This section is based on current law and HM Revenue & Customs practice which may change. There is no longer any Stamp Duty Reserve Tax ("SDRT") charge levied on the surrender of Shares in the Scheme, except in the case of an in-specie redemption which is not settled pro-rata to the assets held by the Scheme. In that event, the redeeming Shareholder will be liable to SDRT at the rate of 0.5% of the value of the Shares surrendered.***

## 19 INDIVIDUAL SAVINGS ACCOUNTS

At the date of publication of this Prospectus the Schemes satisfied the eligibility requirements to be qualifying investments for a stocks and shares component of an ISA.

## 20 MONEY LAUNDERING PROCEDURES

The Manager and the Schemes are subject to the UK's anti-Money Laundering regulations and the Manager may in its absolute discretion require verification of identity from any person applying for shares (the "**Applicant**") including, without limitation, any Applicant who:

- a) tenders payment by way of cheque or banker's draft on an account in the name of a person or persons other than the Applicant; or
- b) appears to the Manager to be acting on behalf of some other person.

In the former case, verification of the identity of the Applicant may be required. In the latter case, verification of the identity of any person on whose behalf the Applicant appears to be acting may be required.

Until satisfactory proof of identity is provided, the Manager reserves the right to refuse to issue shares, pay the proceeds of the redemption of Units, or pay income on Units to investors. In the case of a purchase of Units where the Applicant is not willing or is unable to provide the information request within a reasonable period, the Manager also reserves the right to sell the Units purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment. The Manager will not be liable for any share price movements occurring during delays while money laundering checks are carried out.

The Manager will, where possible, verify identity using information from credit reference agencies. Where this is not possible or where the Manager decides, at its own discretion, that it is appropriate further documentation will be requested.

## 21 GENERAL INFORMATION

1. Copies of the Trust Deeds, any supplemental deeds, the Prospectus, the latest Key Investor Information Documents and the most recent Manager's annual and half-yearly long reports and accounts for each Scheme may be inspected at and obtained from the Manager at the address given above.
2. The Manager's voting policy (which sets out how and when voting rights attached to the Fund's investments are to be exercised), execution policy (which sets out the procedures to be followed when transactions are carried out on behalf of the Fund) and inducement policy (which sets out the types of payments, including fees, commissions and non-monetary benefits, which may be received or made by a third party in respect of the Fund, where permitted by the FCA rules) are available on request, free of charge from the Manager at Marlborough House, 59 Chorley New Road, Bolton BL1 4QP.
3. The Manager may from time to time communicate with Unitholders. All notices and documents required to be served on Unitholders shall be served by post to the address of such Unitholder as evidenced on the Register. All documents and remittances are sent at the risk of the Unitholder.
4. The Manager will upon the written request of a Unitholder provide information supplementary to this Prospectus relating to the methods used to determine the quantitative limits applying in the risk management of the Scheme, the methods used for the purposes of such risk management and any recent development of the risk and yields of the main categories of investment.
5. Any Unitholder wishing to make a complaint should contact the Manager in the first instance and thereafter may complain directly to the Financial Ombudsman Service ("FOS"), Exchange Tower, London E14 9SR. More details about the FOS are available on request from the Manager.
6. For security, telephone calls to the Unit trust administration area and the sales and marketing area may be recorded.
7. All profits and/or losses which the Manager makes in connection with the sale and repurchase of Units will be retained by the Manager.



8. The Manager is under no obligation to account to the Trustee or to the Unitholders (or any of them) for any profits made by the Manager on the issue of Units in the Schemes or on the re-issue or cancellation of Units previously redeemed by the Manager.
9. The Manager does not permit the Schemes to be used for the purposes of "market timing". For this purpose market timing is defined as a trading strategy with the intention of taking advantage of short term changes in market prices. The Manager will undertake monitoring activities to ensure that market timing does not take place in relation to the Schemes.

## **22 RISK WARNINGS**

The following risk factors should be considered before making your investment decision:

1. Past performance is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested.
2. If you have any doubts about the suitability of an investment, please contact an authorised financial adviser. Please note Marlborough Fund Managers Ltd does not provide investment advice.
3. Each Scheme is subject to an initial charge and consequently charges are not made uniformly throughout the period of an investment.
4. For Schemes paying out income, the level of income payments may not be constant and may fluctuate.
5. For Schemes where the annual management charge is to be taken from the income generated by the Scheme and there is insufficient income within the Scheme to meet that charge, the balance will be deducted from the Scheme's capital and to that extent may constrain capital growth.
6. Whilst equity investments carry potential for attractive returns over the longer term, the volatility of these returns can also be relatively high.
7. Changes in exchange rates between currencies may cause the value of both the capital and income of your investment to increase and diminish.
8. Inflation may affect the real value of your savings and investments, which may reduce the buying power of the money you have saved and your investments.
9. Where cancellation rights are applicable, if you choose to exercise your cancellation rights and the value of your investment falls before notice of cancellation is received by us in writing, a full refund of the original investment may not be provided but rather the original amount less the fall in value.
10. In the case of the Marlborough Extra Income Fund, the whole of the annual Manager's charge is deducted from capital rather than income. In the case of the Marlborough Bond Income Fund and the Marlborough High Yield Fixed Interest Fund, half of the Manager's annual charge is deducted from capital rather than income. The future growth of these Schemes may be constrained or capital eroded as a result.
11. The Marlborough Special Situations Fund and the Marlborough UK Micro-Cap Growth Fund may invest in smaller companies which carry a higher degree of risk than funds investing in larger companies. The shares of smaller companies may be less liquid and their performance more volatile over shorter time periods. These funds can also invest in smaller companies listed on the Alternative Investment Market (AIM) which also carry the risks described above.
12. Further risks applying to the Marlborough Bond Income Fund, Marlborough Global Bond Fund and Marlborough High Yield Fixed Interest Fund are as follows:
  - (a) Unlike income from an individual bond, the level of income from the Schemes is not fixed and may fluctuate.
  - (b) The Schemes will invest in high-yielding corporate bonds. The underlying investments of fixed interest and bond funds are subject to two types of risk, market (interest) risk and credit risk. The value of these bonds, and therefore the value of the shares or Units in the fund, will be impacted by fluctuations in interest rates and the perceived

credit risk of an issuer. An increase in long-term interest rates is likely to reduce the Unit price of the fund and vice versa. In addition, the share/Unit price is likely to be reduced by the default or perceived increase in credit risk of an issuer of an underlying investment.

- (c) In general, the higher the rate of interest, the higher the perceived credit risk of the issuer.
  - (d) The Schemes may invest in sub-investment grade bonds. These bonds have a lower credit rating and carry a higher degree of risk of default on repayment.
  - (e) In risk terms, corporate bond funds are often considered to be a “half-way house” between equity funds and building society accounts. Unlike a bank or building society account where your capital is secure, corporate bond funds are not, however, risk free. In view of the special risks associated with investment in funds containing investments that are below investment grade, generally such funds should be considered a greater risk than investments in equity funds and it is recommended that investment in such funds should not constitute the sole or principal component of any portfolio.
  - (f) Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the government’s fiscal position, short-term interest rates and international market comparisons. The returns from bonds are fixed at the time of purchase. Therefore the fixed coupon payable and final redemption proceeds are known at the outset. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. Over the life of a bond, however, the yield (and hence market price) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date is likely to have a different price to its purchase level and a profit or loss may be incurred.
13. ISA Investments - The favourable tax treatment of ISAs may not be maintained indefinitely. If you are unsure of your tax position you should consult a tax adviser.
14. In certain circumstances, for hedging purposes to reduce or eliminate risk arising from fluctuations in interest or exchange rates and in the price of investments, the Schemes may enter into certain derivatives transactions, including, without limitation, forward transactions, futures and options. The value of these investments may fluctuate significantly. By holding these types of investments there is a risk of capital depreciation in relation to certain assets of the Schemes. There is also the potential for capital appreciation of such assets.
15. The Marlborough Bond Income Fund and the Marlborough Global Bond Fund are permitted to invest in derivative and forward transactions for hedging purposes and as part of the Schemes' investment objective and policy. The Schemes' investment powers in relation to derivatives mean that for regulatory purposes they will be regarded as high volatility funds. However, the Investment Adviser's use of derivative techniques will have the overall intention of reducing the volatility of returns, reflecting the investment policies for the Schemes generally.
16. The summary of the UK tax treatment in section 18 is based on current law and practice which is subject to change. It does not take into account individual circumstances which may affect the UK tax treatment. In particular the levels of relief from taxation may depend upon individual circumstances.

## **23      COMPENSATION SCHEME**

The Financial Services Compensation Scheme Limited has been established under the rules of the FCA as a "rescue fund" for certain clients of firms authorised and regulated by the FCA which have gone out of business. The Manager will supply you with further details of the scheme on written request to its operating address. Alternatively, you can visit the scheme's website at [www.fscs.org.uk](http://www.fscs.org.uk) or by writing to the Financial Services Compensation Scheme, PO Box 300, Mitcheldean, GL17 1DY.

## **24      CONFLICTS OF INTEREST**

The Trustee or any associate of the Trustee, may (subject to COLL) hold money on deposit from, lend money to, or engage in stock lending transactions in relation to the Schemes, so long as the services concerned are provided on arm's length terms.

The Trustee, the Manager, or any investment adviser or any associate of any of them may sell or deal in the sale of property to the Schemes or purchase property from the Schemes provided the applicable provisions of the COLL apply and are observed.

Subject to compliance with COLL the Manager may be party to or interested in any contract, arrangement or transaction to which a Scheme is a party or in which it is interested.

The Manager and the Investment Advisers (and other companies within their respective groups) may, from time to time, act as managers to other funds or sub-funds which follow similar investment objectives to that of the Schemes. It is therefore possible that the Manager and/or the Investment Advisers may in the course of their business have potential conflicts of interest with the Schemes. The Trustee may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

## **25      GOVERNING LAW**

The Schemes, the Trust Deeds, this Prospectus and any matters arising out of or in connection with a Unitholder's investment in a Scheme and the establishment, management and administration of the Schemes shall be governed by and construed in accordance with the laws of England and Wales. The rights of the Unitholders and the construction and effect of the provisions of the Trust Deeds and this Prospectus shall be subject to the exclusive jurisdiction of the courts of England and Wales.

# APPENDIX 1

## Marlborough Bond Income Fund

Date of authorisation:	21 July 1998
Investment Objective:	To provide a high level of income with the potential for capital growth.
Current Investment Policy, general nature of portfolio and any intended specialisation:	<p>It is intended that this objective will be achieved by investing in UK corporate bonds and preference shares, UK and other government securities, Eurobonds and other fixed and variable rate securities including, where appropriate and permitted by COLL, convertible securities.</p> <p>The Scheme may, in addition to its other investment powers, use cash and near cash (which includes money market instruments and deposits) and exchange traded and over the counter derivatives and forward currency contracts for hedging and investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long term rather than just for tactical short-term purposes.</p> <p>The Scheme may also invest in other transferable securities and units/shares in collective investment schemes. Furthermore use may be made of stock lending and borrowing and other investment techniques permitted in COLL. The use of these investment powers is also limited to prevent the global exposure exceeding the total net value of the Scheme's portfolio. A risk management process is in place to monitor the exposure.</p> <p>The Scheme's investment powers in relation to derivatives means that for regulatory purposes it will be regarded as a high volatility fund. However, the use of derivative techniques will have the overall intention of reducing the volatility of returns, reflecting the investment policy for the Scheme generally.</p>
Scheme Characteristics:	The Scheme has been structured to concentrate on the generation of income as a higher priority than on capital growth. This may accordingly constrain capital growth.
Valuation Point:	12 noon on each business day excluding the last business day before 25 December and the last business day of the year.
Types of Units in issue:	Class A, Class B and Class P Income Units
Accounting Reference Date:	31 May
Annual Management Charge:	<p>Class A Units: 1.50%</p> <p>Class B Units: 1.00%</p> <p>Class P Units: 0.75%</p> <p>Charged equally between capital and income accounts which may constrain the capital growth of the Scheme. Any increase in the annual management charge is subject to 60 days' prior written notice in accordance with COLL.</p>
Preliminary Charge:	<p>Class A Units: 5.00%</p> <p>Class B Units: 5.00%</p> <p>Class P Units: 1.00%</p> <p>Any increase in the preliminary charge is subject to 60 days' prior written notice in accordance with COLL.</p>
Basis of calculating periodic charge	The periodic charge shall accrue daily and be calculated on the basis of the

(Management and Trustee fee):	value of the property of the Scheme on the first or only valuation point on each business day.
Interim Accounting Period:	1 June to 30 November
Annual Income Allocation Date:	31 July
Interim Income Allocation Dates:	31 October, 31 January and 30 April.
Grouping Periods:	1 June to 31 August (First Grouping Period), 1 September to 30 November (Second Grouping Period), 1 December to the last day in February (Third Grouping Period) and 1 March to 31 May (Fourth Grouping Period).
Dates of the publication of the annual and half-yearly long reports:	31 July and 31 January respectively.

The Eligible Securities and Derivatives Markets in which the Scheme may invest are listed in Appendix 4.

## Performance Information

### Marlborough Bond Income Fund Class A Units

1st April 2013 – 31st March 2018, Bid to Bid, UK Basic Rate, Based in UK Sterling

#### Net Income Distributed

Name	% Growth 01 April 13 to 31 March 14	% Growth 01 April 14 to 31 March 15	% Growth 01 April 15 to 31 March 16	% Growth 01 April 16 to 31 March 17	% Growth 01 April 17 to 31 March 18
Marlborough Bond Income Fund Class A	2.10	8.97	-1.01	7.45	1.95

Source: Morningstar

The value of your units may go down as well as up. Past performance is not a guide to future performance.

## Marlborough Global Bond Fund

Date of authorisation:	29 April 1988
Investment Objective:	The investment objective is to provide both income and capital growth.
Current Investment Policy, general portfolio and any intended specialisation:	<p>It is intended that this objective will be achieved by investing mainly nature of in fixed interest securities.</p> <p>The Scheme may, in addition to its other investment powers, use cash and near cash (which includes money market instruments and deposits) and exchange traded and over the counter derivatives and forward currency contracts for hedging and investment purposes. Using these investment powers for investment purposes means, in particular, maintaining positions in these investments for the long-term rather than just for tactical short-term purposes.</p> <p>The Scheme may also invest in other transferable securities and units/shares in collective investment schemes. Furthermore use may be made of stock lending and borrowing and other investment techniques permitted in COLL. The use of these investment powers is also limited to prevent the global exposure exceeding the total net value of the Scheme's portfolio. A risk management process is in place to monitor the exposure.</p> <p>The Scheme's investment powers in relation to derivatives means that for regulatory purposes it will be regarded as a high volatility fund. However, the use of derivative techniques will have the overall intention of reducing the volatility of returns, reflecting the investment policy for the Scheme generally.</p>
Valuation Point:	12 noon on each business day excluding the last business day before 25 December and the last business day of the year.
Types of Units in issue:	Class A, Class B and Class P Income and Accumulation Units
Accounting Reference Date:	20 February
Annual Management Charge:	<p>Class A Units: 1.125%</p> <p>Class B Units: 0.625%</p> <p>Class P Units: 0.375%</p> <p>Any increase in the annual management charge is subject to 60 days' prior written notice in accordance with COLL.</p>
Preliminary Charge:	<p>Class A Units: 5.00%</p> <p>Class B Units: 5.00%</p> <p>Class P Units: 1.00%</p> <p>Any increase in the preliminary charge is subject to 60 days' prior written notice in accordance with COLL.</p>
Basis of calculating periodic charge (Management and Trustee fee):	The periodic charge shall accrue daily and be calculated on the basis of the value of the property of the Scheme on the first or only valuation point on each business day.
Interim Accounting Period:	21 February to 20 August
Annual Income Allocation Date:	20 April
Interim Income Allocation Date:	20 October.
Grouping Periods:	21 February to 20 August (First Grouping Period) and 21 August to 20 February (Second Grouping Period)

Dates of the publication of the annual and half-yearly long reports: 20 April and 20 October.

The Eligible Securities and Derivatives Markets in which the Scheme may invest are listed in Appendix 4.



## Performance Information

### Marlborough Global Bond Fund Class A Units

1st April 2013 – 31st March 2018, Bid to Bid, UK Basic Rate, Based in UK Sterling

#### Net Income Reinvested

Name	% Growth 01 April 13 to 31 March 14	% Growth 01 April 14 to 31 March 15	% Growth 01 April 15 to 31 March 16	% Growth 01 April 16 to 31 March 17	% Growth 01 April 17 to 31 March 18
Marlborough Global Bond Fund Class A	-4.12	11.11	0.00	13.60	-1.95

Source: Morningstar

The value of your units may go down as well as up. Past performance is not a guide to future performance.

## Marlborough Special Situations Fund

Date of authorisation:	7 June 1995
Investment Objective:	To provide capital growth
Current Investment Policy, general nature of portfolio and any intended specialisation:	It is intended to follow a speculative policy investing in smaller companies, new issues and companies going through a difficult period with good recovery prospects. This Scheme is marketable to all retail investors. The Scheme may invest in derivatives and forward transactions for the purposes of hedging only.
Valuation Point:	12 noon on each business day excluding the last business day before 25 December and the last business day of the year.
Types of Units in issue:	Class A Accumulation Units, Class B Accumulation Units and Class P Accumulation Units
Accounting Reference Date:	20 December
Annual Management Charge:	Class A Units 1.50%, Class B Units 1.00%, Class P Units 0.75%  Any increase in the annual management charge is subject to 60 days' prior written notice in accordance with COLL.
Preliminary Charge:	Class A Units 5.00%, Class B Units 1.00%, Class P Units 1.00%  Any increase in the preliminary charge is subject to 60 days' prior written notice in accordance with COLL.
Basis of calculating periodic charge (Management and Trustee fee):	The periodic charge shall accrue daily and be calculated on the basis of the value of the property of the Scheme on the first or only valuation point on each business day.
Interim Accounting Period:	21 December to 20 June
Annual Income Allocation Date:	20 February
Interim Income Allocation Date:	20 August
Grouping Periods:	21 December to 20 June (First Grouping Period) and 21 June to 20 December (Second Grouping Period)
Dates of the publication of the annual and half-yearly long reports:	20 February and 20 August respectively.
The Eligible Securities Markets in which the Scheme may invest:	A Market established in an EEA state on which transferable securities admitted to official listing in the EEA state are dealt in or traded. The Alternative Investment Market (AIM).  The following markets in Canada: TSX Venture Exchange Toronto Stock Exchange
The Eligible Derivatives Market in which the Scheme may invest:	ICE Futures Europe

## Performance Information

### Marlborough Special Situations Fund Class A Units

1st April 2013 – 31st March 2018, Bid to Bid, UK Basic Rate, Based in UK Sterling

#### Net Income Reinvested

Name	% Growth 01 April 13 to 31 March 14	% Growth 01 April 14 to 31 March 15	% Growth 01 April 15 to 31 March 16	% Growth 01 April 16 to 31 March 17	% Growth 01 April 17 to 31 March 18
Marlborough Special Situations Fund Class A	29.79	0.55	14.61	20.06	14.45

Source: Morningstar

The value of your units may go down as well as up. Past performance is not a guide to future performance.

## Marlborough UK Micro-Cap Growth Fund

Date of authorisation:	9 September 2004
Investment Objective:	The investment objective of the Scheme is to provide a total return of capital and income in excess of the total return achieved by the FTSE SmallCap Index (ex Investment Companies), over the medium to long term. <sup>1</sup>
Current Investment Policy, general nature of portfolio and any intended specialisation:	The Scheme will be actively managed on a total return basis investing primarily in UK companies having a market capitalisation of £250m or less at the time of purchase. A considerable proportion of the portfolio will be invested in smaller companies with a market capitalisation of less than £150m at the time of purchase. At times it may be appropriate for the Scheme not to be fully invested but to hold cash and near cash. The Scheme may also invest in other transferable securities, including but not limited to, warrants and government and public securities and units in collective investment schemes. The Scheme is permitted to invest in derivatives and forward transactions for the purposes of hedging only.
Valuation Point	12 noon on each business day excluding the last business day before 25 December and the last business day of the year.
Types of Units in issue:	Class A Accumulation Units, Class B Accumulation Units, and Class P Accumulation Units.
Accounting Reference Date:	31 July.
Annual Management Charge:	Class A Units 1.50%, Class B Units 1.00%, Class P Units 0.75%  Any increase in the annual management charge is subject to 60 days' prior written notice in accordance with COLL.
Preliminary Charge:	Class A Units 5.00% (This was reduced on 2nd October 2007, previously 7%), Class B Units 1.00%, Class P Units 1.00%  Any increase in the preliminary charge is subject to 60 days' prior written notice in accordance with COLL.
Basis of calculating periodic Charge (Management and Trustee fee):	The periodic charge shall accrue daily and be calculated on the basis of the value of the property of the Scheme on the first or only valuation point on each business day.
Interim Accounting Period:	1 August to 31 January.
Annual Income Allocation Date:	30 September.
Grouping Period:	1 August to 31 July.
Dates of the publication of the annual and half-yearly long reports:	30 September and 31 March respectively.
The Eligible Securities Markets in which the Scheme may invest:	A Market established in an EEA state on which transferable securities admitted to official listing in the EEA state are dealt in or traded. The Alternative Investment Market (AIM).

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<sup>1</sup> Investors should be aware that there is no guarantee that this objective will be achieved over this (or any) time period and that your capital is in fact at risk.

The Eligible Derivatives Market in which ICE Futures Europe  
the Scheme may invest:

## Performance Information

### Marlborough UK Micro Cap Growth Fund Class A Units

1st April 2013 – 31st March 2018, Bid to Bid, UK Basic Rate, Based in UK Sterling

#### Net Income Reinvested

Name	% Growth 01 April 13 to 31 March 14	% Growth 01 April 14 to 31 March 15	% Growth 01 April 15 to 31 March 16	% Growth 01 April 16 to 31 March 17	% Growth 01 April 17 to 31 March 18
Marlborough UK Micro Cap Growth Fund Class A	39.61	-6.19	13.17	23.23	20.21

Source: Morningstar

The value of your units may go down as well as up. Past performance is not a guide to future performance.

## Marlborough High Yield Fixed Interest Fund

Date of authorisation:	25 October 2004
Investment Objective:	To provide a high level of income with the opportunity for some long-term capital growth.
Current Investment Policy, general of portfolio and any intended specialisation:	The Scheme will be invested in a portfolio largely comprising fixed and variable rate and index related securities issued by corporates, government, supranational institutions and local and regional agencies, both in the UK and internationally, as well as other securities deemed to be appropriate by the Manager. At times it may be appropriate for the Scheme not to be fully invested but to hold cash and near cash. The Scheme is permitted to invest in derivatives and forward transactions for the purposes of hedging only.
Valuation Point	12 noon on each business day excluding the last business day before 25 December and the last business day of the year.
Types of Units in issue:	Class A, Class B and Class P Income Units.
Accounting Reference Date:	31 December.
Annual Management Charge:	Class A Units: 1.50% Class B Units: 1.00% Class P Units: 0.75%  Charged equally between capital and income accounts which may constrain the capital growth of the Scheme. Any increase in the annual management charge is subject to 60 days' prior written notice in accordance with COLL.
Preliminary Charge:	Class A Units: 5.25% Class B Units: 5.00% Class P Units: 1.00%  Any increase in the preliminary charge is subject to 60 days' prior written notice in accordance with COLL.
Basis of calculating periodic Charge (Management and Trustee fee):	The periodic charge shall accrue daily and be calculated on the basis of the value of the property of the Scheme on the first or only valuation point on each business day.
Interim Accounting Period:	1 January to 30 June.
Annual Income Allocation Date:	Last day in February.
Interim Income Allocation Date:	31 May, 31 August and 30 November.
Grouping Periods:	1 January to 31 March (First Grouping Period), and 1 April to 30 June (Second Grouping Period), 1 July to 30 September (Third Grouping Period) and 1 October to 31 December (Fourth Grouping Period).
Dates of the publication of the annual and half-yearly long reports:	Last day of February and 31 August respectively.
The Eligible Securities Markets in which the Scheme may invest:	A Market established in an EEA state on which transferable securities admitted to official listing in the EEA state are dealt in or traded. The Alternative Investment Market (AIM).  The following markets in the USA:

NYSE MKT, NYSE , NYSE Arca, NASDAQ Stock Exchange, NASDAQ OMX BX,  
Chicago Stock Exchange.

The Eligible Derivatives Market in which  
the Scheme may invest:

The London International Financial Futures and Options Exchange



## Performance Information

### Marlborough High Yield Fixed Interest Fund Class A Units

1st April 2013 – 31st March 2018, Bid to Bid, UK Basic Rate, Based in UK Sterling

#### Net Income Distributed

Name	% Growth 01 April 13 to 31 March 14	% Growth 01 April 14 to 31 March 15	% Growth 01 April 15 to 31 March 16	% Growth 01 April 16 to 31 March 17	% Growth 01 April 17 to 31 March 18
Marlborough High Yield Interest Fund Class A	7.77	1.76	1.60	8.68	4.26

Source: Morningstar

The value of your units may go down as well as up. Past performance is not a guide to future performance.

*Marlborough UK Multi-Cap Growth Fund*  
(formerly known as the Marlborough UK Leading Companies Fund)<sup>2</sup>

Date of authorisation:	7 June 1995
Investment Objective:	To provide medium to long term capital growth.
Current Investment Policy, general nature of portfolio and any intended specialisation:	The Manager intends to invest in an actively managed portfolio of small, medium and large cap UK equities, principally in companies which are amongst the leading companies in their business sector. The Scheme is permitted to invest in derivatives and forward transactions for the purposes of hedging only.
Valuation Point	12 noon on each business day excluding the last business day before 25 December and the last business day of the year.
Types of Units in issue:	Class A Income Units, Class B Income Units and Class P Income Units.
Accounting Reference Date:	20 March.
Annual Management Charge:	Class A Units 1.50%, Class B Units 1%, Class P Units 0.75%  Any increase in the annual management charge is subject to 60 days' prior written notice in accordance with COLL.
Preliminary Charge:	Class A Units 5.00%, Class B Units 5.00%, Class P Units 1.00%.  Any increase in the preliminary charge is subject to 60 days' prior written notice in accordance with COLL.
Basis of calculating periodic Charge (Management and Trustee fee):	The periodic charge shall accrue daily and be calculated on the basis of the value of the property of the Scheme on the first or only valuation point on each business day.
Interim Accounting Period:	21 March to 20 September.
Annual Income Allocation Date:	20 May.
Interim Income Allocation Date:	20 November.
Grouping Periods:	21 March to 20 September (First Grouping Period), 21 September to 20 March (Second Grouping Period).
Dates of the publication of the annual and half-yearly long reports:	20 May and 20 November respectively.
The Eligible Securities Markets in which the Scheme may invest:	A Market established in an EEA state on which transferable securities admitted to official listing in the EEA state are dealt in or traded. The Alternative Investment Market (AIM).
The Eligible Derivatives Market in which the Scheme may invest:	ICE Future Europe

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<sup>2</sup> The name of the Scheme was changed on 1<sup>st</sup> January 2014 following receipt of FCA approval.

## Performance Information

### Marlborough UK Multi-Cap Growth Fund Class A Units

1st April 2013 – 31st March 2018, Bid to Bid, UK Basic Rate, Based in UK Sterling

#### Net Income Distributed

Name	% Growth 01 April 13 to 31 March 14	% Growth 01 April 14 to 31 March 15	% Growth 01 April 15 to 31 March 16	% Growth 01 April 16 to 31 March 17	% Growth 01 April 17 to 31 March 18
Marlborough UK Multi-Cap Growth Fund Class A Units	20.36	2.15	7.00	16.61	17.40

Source: Morningstar

The value of your units may go down as well as up. Past performance is not a guide to future performance.

## Marlborough Extra Income Fund

Date of authorisation:	7 June 1995.
Investment Objective:	To achieve a higher yield with the prospect of receiving increasing income and growth in the value of Units.
Current Investment Policy, general nature of portfolio and any intended specialisation:	<p>To purchase high yielding shares, corporate loan stocks and preference shares.</p> <p>The Scheme is permitted to invest in derivatives and forward transactions for the purposes of hedging only.</p>
Valuation Point:	12 noon on each business day excluding the last business day before 25 December and the last business day of the year.
Types of Units in issue:	Class A, Class B and Class P Income Units.
Accounting Reference Date:	20 April.
Annual Management Charge:	<p>Class A Units: 1.50%</p> <p>Class B Units: 1.00%</p> <p>Class P Units: 0.75%</p> <p>Charged wholly to the capital account which may constrain the capital growth of the Scheme. Any increase in the annual management charge is subject to 60 days' prior written notice in accordance with COLL.</p>
Preliminary Charge:	<p>Class A Units: 5.00%</p> <p>Class B Units: 5.00%</p> <p>Class P Units: 1.00%</p> <p>Any increase in the preliminary charge is subject to 60 days' prior written notice in accordance with COLL.</p>
Basis of calculating periodic charge (Management and Trustee fee):	The periodic charge shall accrue daily and be calculated on the basis of the value of the property of the Scheme on the first or only valuation point on each business day.
Interim Accounting Period:	21 April to 20 October.
Annual Income Allocation Date:	20 June.
Interim Income Allocation Date:	20 September, 20 December and 20 March.
Grouping Periods:	21 April to 20 July (First Grouping Period), and 21 July to 20 October (Second Grouping Period), 21 October to 20 January (Third Grouping Period) and 21 January to 20 April (Fourth Grouping Period).
Dates of the publication of the annual and half-yearly long reports:	20 June and 20 December.
The Eligible Securities Markets in which the Scheme may invest:	<p>A Market established in an EEA state on which transferable securities admitted to official listing in the EEA state are dealt in or traded.</p> <p>The Alternative Investment Market (AIM).</p>
The Eligible Derivatives Market in which the Scheme may invest:	ICE Future Europe

## Performance Information

### Marlborough Extra Income Fund Class A Units

1st April 2013 – 31st March 2018, Bid to Bid, UK Basic Rate, Based in UK Sterling

#### Net Income Distributed

Name	% Growth 01 April 13 to 31 March 14	% Growth 01 April 14 to 31 March 15	% Growth 01 April 15 to 31 March 16	% Growth 01 April 16 to 31 March 17	% Growth 01 April 17 to 31 March 18
Marlborough Extra Income Fund Class A	12.15	7.93	-0.62	11.49	1.91

Source: Morningstar

- The value of your units may go down as well as up. Past performance is not a guide to future performance.
- Investors should note that with the effect from 17<sup>th</sup> January 2014 the Marlborough UK Income and Growth Trust merged with the Marlborough Extra Income Fund.

## APPENDIX 2 - Investment and Borrowing Powers:

Marlborough Bond Income Fund

Marlborough Global Bond Fund

The Marlborough Bond Income Fund and the Marlborough Global Bond Fund (together referred to in this Appendix as "the Schemes"), may exercise the full authority and powers permitted by COLL applicable to a UCITS Scheme. However, this is subject to the applicable investment limits and restrictions set out in COLL, the relevant Trust Deeds, this Prospectus and the Schemes' investment objectives and policies.

In accordance with the Schemes' investment policies, the Schemes shall invest mainly in a diversified portfolio of fixed interest securities and other transferable securities. The capital property attributable to the Schemes is required to consist of such investments however investment in other asset classes of assets such as other transferable securities, cash, money market instruments and deposits, derivatives and forward transactions, and Units and/or shares in collective investment Schemes, is permitted as set out in COLL as such rules apply to UCITS Schemes and as summarised below. Therefore, the capital property may at any time consist of a mixture of these assets as set out below.

The Manager shall ensure that, taking into account the applicable investment objectives, the Scheme property of the Schemes aims to provide a prudent spread of risk.

Save for any investment acquired for the purposes of hedging (referred to in more detail below), the property of the Schemes may not include any investment to which a liability (whether actual or contingent) is attached unless the maximum amount of such liability is ascertained at the time when such investment is acquired for the account of the Scheme in question.

### **Collective Investment Schemes**

Up to 5% in value of the property of the Schemes may consist of units and/or shares in other collective investment schemes.

Not more than 5% in value of the property of the Schemes may consist of units or shares in any one collective investment scheme.

A Scheme must not invest in units or shares of a collective investment scheme (the "second scheme") unless the second scheme satisfies the conditions referred to below and provided that no more than 5% of the value of the scheme property attributed to a scheme is invested in second Schemes within categories (b) to (d) below.

The second scheme must fall within one of the following categories:

- (a) A scheme which satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive;
- (b) A scheme which is recognised under the provisions of section 270 of the Financial Services and Markets Act 2000 (Schemes authorised in designated countries or territories);
- (c) A scheme which is authorised as a non-UCITS retail Scheme (as defined in COLL) and in respect of which the requirements of article 50(1)(e) of the UCITS Directive are met;
- (d) A scheme which is authorised in another EEA State (and in respect of which the requirements of article 50(1)(e) of the UCITS Directive are met).

The second scheme must comply, where relevant, with those COLL provisions regarding investment in other group schemes and associated schemes (referred to below).

The second scheme must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes.

The schemes may invest in shares or units of collective investment Schemes which are managed or operated by (or, in the case of companies incorporated under the OEIC Regulations, have as their authorised corporate director) the Manager or an associate of the Manager. However, if the Schemes invest in units in another collective investment scheme managed or operated by the Manager or by an associate of the Manager, the Manager must pay into the property of the Scheme before the close of the business on the fourth business day after the agreement to invest or dispose of units:

- (a) on investment – if the Manager pays more for the Units issued to it than the then prevailing creation price, the full amount of the difference or, if this is not known, the maximum permitted amount of any charge which may be made by the issuer on the issue of the Units; and,
- (b) on a disposal – any amount charged by the issuer on the redemption of such Units.

Any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is for the benefit of the second scheme and is, or is like, a dilution levy made in accordance with COLL or Stamp Duty Reference Tax provision made in accordance with COLL is to be treated as part of the price of units and not as part of any charge.

Any charge made in respect of one charge 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.

### **Transferable Securities**

Up to 100% of the Scheme property attributable to the Schemes may consist of transferable securities. For the purposes of COLL a transferable security is an investment which is either a share, debenture, an alternative debenture, a government and public security, a warrant or a certificate representing certain securities.

The Fund may invest in transferable securities which fulfil the following criteria:

- the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
- its liquidity does not compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying shareholder;
- reliable valuation is available for the transferable securities as follows:
  - (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
  - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- appropriate information is available for the transferable security as follows:
  - (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
  - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the Manager on the transferable security or, where relevant, on the portfolio of the transferable security;
- it is negotiable; and
- its risks are adequately captured by the risk management process of the Manager.

Unless there is information available to the Manager that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed not to compromise the ability of the Manager to comply with its obligation to redeem shares at the request of any qualifying shareholder; and to be negotiable..

Not more than 10% in value of the Scheme property attributable to a Scheme may consist of transferable securities which are not admitted to or dealt in an eligible market, and for money market instruments which do not fall within the criteria set out under the section entitled 'Money Market Instruments' below.

Not more than 5% in value of the Scheme property attributable to a Scheme may consist of transferable securities or money market instruments (referred to below) issued by any single body. This limit may be raised to 10% in respect of up to 40% in value of the Scheme property attributable to a Scheme.

Not more than 20% in value of the Scheme property attributable to a Scheme is to consist of transferable securities and money market instruments issued by the same group.

Up to 5% in value of the Scheme property attributable to a Scheme may consist of warrants although it is not anticipated that investment in warrants by any Scheme will affect the level of volatility of that Scheme. Warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene COLL. Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the relevant Scheme at any time when the payment is required without contravening COLL.

#### ***Closed end funds constituting transferable securities***

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

- where the closed end fund is constituted as an investment company or a unit trust:
  - (a) it is subject to corporate governance mechanisms applied to companies; and
  - (b) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or
- where the closed end fund is constituted under the law of contract:
  - (a) it is subject to corporate governance mechanisms equivalent to those applied to companies; and
  - (b) it is managed by a person who is subject to national regulation for the purpose of investor protection.

#### ***Cash and Near Cash***

Up to 50% of the Scheme property attributable to the Marlborough Bond Income Fund and up to 100% of the Scheme property attributable to the Marlborough Global Bond Fund may consist of cash or near cash to enable:

- (a) the pursuit of the Scheme's investment objectives; or
- (b) the redemption of units; or
- (c) the efficient management of the Scheme in accordance with its objectives or any other purposes which may reasonably be regarded as ancillary to the objectives of the Scheme.

Cash forming part of the property of a Scheme may be placed in any current or deposit account with the Trustee, the Manager or any investment adviser or any associate of any of them provided it is an eligible institution or approved bank and the arrangements are at least as favourable to the Scheme concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

#### ***Government and Public Securities***

The Scheme property of the Schemes may consist of government and public securities provided 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 in any one issue.

#### ***Covered bonds***

In general a covered bond is a bond that is issued by a credit institution which has its registered office in an EEA State and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest, and which may be collateralised.

#### ***Approved Money Market Instruments***



Up to 100% of the scheme property attributable to the Fund may consist of money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, being an 'approved money market instrument' in accordance with the rules in COLL.

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

The Fund may invest in an approved money market instrument if it is:

- (a) issued or guaranteed by a central, regional or local authority or central bank of an EEA state or if the EEA State is a federal state, one of the members making up the federation, the European Central Bank, the European Union or the European Investment Bank, a non-EEA state or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA states belongs; or
- (b) an establishment subject to prudential supervision in accordance with criteria defined by Community Law or an establishment which is subject to and complies with prudential rules governed by the FCA to be at least as stringent as those laid down by Community Law; or
- (c) issued by a body, any securities of which are dealt in on an eligible market.

#### ***Money-market instruments with regulated issuer***

In addition to instruments admitted to or dealt in on an eligible market, the Fund may invest in an approved money-market instrument provided it fulfils the requirements in COLL governing regulated issuers of money-market instruments such that the issue or the issuer is regulated for the purpose of protecting investors and savings and the instrument is issued or guaranteed, in accordance with COLL.

The Fund may also with the express consent of the FCA invest in an approved money-market instrument provided:

- (a) the issue or issuer is itself regulated for the purpose of protecting investors and savings in accordance with COLL;
- (b) investment in that instrument is subject to investor protection equivalent to that provided by instruments which satisfy the requirements of COLL 5.2.10BR(1)(a),(b) or (c); and
- (c) the issuer is a company whose capital and reserves amount to at least EUR 10 million and which presents and publishes its annual accounts in accordance with Directive 78/660/EEC, is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles (as defined in COLL) which benefit from a banking liquidity line (as defined in COLL).

Transferable securities and approved money market instruments held within the Fund must be:

- (a) admitted to or dealt in on an eligible market which is a regulated market; or
- (b) dealt in on an eligible market which is a market in an EEA State which is regulated, operates regularly and is open to the public; or
- (c) admitted to or dealt in on an market which the Manager, after consultation with and notification to the Trustee decides that market is appropriate for the investment of, or dealing in, the scheme property, is listed in the Prospectus, and the Trustee has taken reasonable care to determine that adequate custody arrangements can be provided for and all reasonable steps have been taken by the Manager in deciding whether that market is eligible; or
- (d) recently issued transferable securities provided that the terms of the issue include an undertaking that application will be made to be admitted to an eligible market, and such admission is secured within a year of issue.

The Fund may invest no more than 10% of the scheme property in transferable securities and money market instruments other than those referred to in (a) to (e) above.

#### ***Derivatives***

#### ***General***

A transaction in derivatives or a forward transaction must not be effected for a Scheme unless the transaction is of a kind specified below and the transaction is covered.

Where a Scheme invests in derivatives, the exposure to the underlying assets must not exceed the general limits on spread as set out in the paragraph headed "Spread – General" below, except for index-based derivatives where the rules below apply.

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

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

- a) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- c) it has significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

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

Where a Scheme invests in an index based derivative, provided the relevant index falls within COLL 5.2.33R, the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.

#### ***Permitted Transactions (derivatives and forwards)***

**In accordance with the Schemes' investment objectives and policies, the Manager envisages that the Schemes will specifically invest directly in derivatives, rather than simply for hedging purposes.**

Derivatives transactions must either be in an approved derivative (being a derivative which is dealt in on an eligible derivatives market as set out in Appendix 4) or an over the counter derivative with an approved counterparty.

A transaction in a derivative must not cause a Scheme to diverge from its investment objectives as stated in the instrument of incorporation and the most recently published version of this prospectus.

Any over the counter transactions in derivatives must also be on approved terms, i.e. the counterparty has agreed with the Manager:

- (a) to provide a reliable and verifiable valuation in respect of that transaction at least daily and at any time at the request of the Manager; and
- (b) that it will, at the request of the Manager, enter into a further transaction to close out that transaction at any time, at a fair value, arrived at under the pricing model or other reliable basis agreed.

The underlying assets of a transaction in a derivative may only consist of any one or more of the following:

- transferable security;
- money market instruments;
- deposits;
- derivatives;
- collective investment Schemes;

financial indices;  
interest rates;  
foreign exchange rates; and  
currencies.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, Units in collective investment Schemes or derivatives provided that a sale is not to be considered as uncovered if the conditions in COLL 5.2.22(3)R are (Requirement to cover sales) are satisfied.

Any forwards transaction must be made with an eligible institution or an approved bank in accordance with COLL.

#### **Financial indices underlying derivatives**

The financial indices referred to above are those which satisfy the following criteria:

- a) the index is sufficiently diversified;
- b) the index represents an adequate benchmark for the market to which it refers; and
- c) the index is published in an appropriate manner.

A financial index is sufficiently diversified if:

- a) it is composed in such a way that price movements or trading activities regarding one component do not unduly affect the performance of the whole index;
- b) where it is composed of assets in which a Scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
- c) where it is composed of assets in which the Scheme cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

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

- a) it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- b) it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publically available; and
- c) the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

A financial index is published in an appropriate manner if:

- a) its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market is not available; and
- b) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to COLL 5.2.20R(2), be regarded as a combination of those underlyings.

#### ***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 a Scheme may be entered into only if:

- (a) that property can be held for the account of the Scheme; and

- (b) the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of COLL.

#### **Requirement to cover sales**

No agreement by or on behalf of the Schemes to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Scheme(s) by delivery of property or the assignment of rights, and the property and rights above are owned by the Funds at the time of the agreement. This requirement does not apply to a deposit. FCA Guidance states that the requirement set out above can be met where:

- (a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument which is highly liquid; or
- (b) the Manager or the Trustee has the right to settle the derivative in cash, and cover exists within the Scheme property which falls within one of the following asset classes:
  - (i) cash;
  - (ii) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
  - (iii) other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

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

#### **Over-the-counter ("OTC") transactions in derivatives**

Any transaction in an OTC derivative must be:

- (a) with an approved counterparty. A counterparty to a transaction in derivatives is approved only if the counterparty is an eligible institution or an approved bank or a person whose permission (as published in the FCA register), or whose home state authorisation, permits it to enter into such transactions as principal off exchange;
- (b) on approved terms. The terms of a transaction in derivatives are approved only if the Manager:
  - (i) carries out at least daily a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and
  - (ii) can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;
- (c) capable of reliable valuation. A transaction in derivatives is capable of reliable valuation only if the Manager 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:
  - (i) on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or
  - (ii) if the value referred to in (i) is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and
- (d) 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:
  - (i) an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the Manager is able to check it; or

- (ii) a department within the Manager which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

For the purposes of paragraph (b) above, “fair value” is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms’ length transaction.

The Trustee must take reasonable care to ensure that the Manager has systems and controls that are adequate to ensure compliance with (a) to (d) above.

For the purposes of (b) above the Manager must: (i) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposure of the Scheme to OTC derivatives; and (ii) ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment. Such arrangements and procedures must be adequate and proportionate to the nature and complexity of the OTC derivative concerned and adequately documented.

***Collateral required under OTC derivative transactions must be:***

- (a) marked to market on a daily basis and exceed the value of the amount of risk;
- (b) exposed only to negligible risks (e.g. government bonds of first credit rating and is liquid);
- (c) held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party;
- (d) be fully enforceable by the Scheme(s) at any time.

OTC derivative positions with the same counterparty may be netted provided that the netting procedures comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III of the Banking Consolidation Directive; and are based on legally binding agreements.

**The commitment approach**

The global exposure of a Scheme is calculated by using the commitment approach in accordance with COLL. The Manager must ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives), whether used as part of a Scheme’s investment policy, for the purposes of risk reduction or the purposes of efficient portfolio management and convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (the “standard commitment approach”)

The Manager may apply other calculation methods which are equivalent to the standard commitment approach. The Manager may also take account of netting and hedging arrangements when calculating the global exposure of a Scheme, where such arrangement do not disregard obvious and material risks, and result in a clear reduction in risk exposure.

Where the reduction of derivatives or forward transactions does not generate incremental exposure for a Scheme, the underlying exposure need not be included in the commitment calculation.

Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of a Scheme need not form part of the global exposure calculation.

***Risk Management:***

The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure frequently as appropriate the risk of a Scheme's positions and their contribution to the overall risk profile of the Scheme. **The Schemes' investment powers in relation to derivatives means that for regulatory purposes the Schemes are regarded as high volatility funds. However, the Manager's investment in and use of derivative techniques has the overall intention of reducing the volatility of returns, reflecting the investment policy for the Schemes generally. The Manager therefore does not anticipate that such use of derivatives will have any significant effect of the risk profile of the Schemes.**

Before using the risk management process, the Manager will notify the FCA of the details including the methods for estimating risks in derivative and forwards transactions and the types of derivatives and forwards that will be used within the Schemes together with their underlying risks and any relevant quantitative limits.

Any material alteration of the above details of the risk management procedures will be notified by the Manager in advance to the FCA.

### ***Derivative exposure***

The Schemes may invest in derivatives and forwards transactions only where the exposure to which the Schemes are committed by that transaction itself is suitably covered from within the Scheme's property. Exposure will include any initial outlay in respect of that transaction.

Cover ensures that the Schemes are not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Schemes' property. Therefore, the Schemes must hold property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Scheme is committed. The detailed requirements for cover of the Scheme are set out below.

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

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

### ***Cover for transaction in derivatives and forward transactions***

Global exposure relating to derivatives and forward transactions held in a Scheme must not exceed the net value of the Scheme Property. Global exposure of a Scheme must be calculated on an at least daily basis, and must take into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions and includes underwriting commitments.

Property the subject of a transaction under COLL 5.4 (Stock Lending) is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or reacquisition) in time to meet the obligation for which cover is required.

The global exposure of a Scheme must be calculated either as i) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives), which may not exceed 100% of the net value of the scheme property; or ii) the market risk of the scheme property (being the risk of loss of a Scheme resulting from the fluctuation in the market value of positions in a Scheme's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness).

### ***Deposits***

Up to 100% of the Scheme property attributable to a Scheme may consist of deposits (as defined in COLL) but only if it:

- is with an approved bank;
- is repayable on demand or has the right to be withdrawn; and
- matures in no more than 12 months.

### ***Immovable and Movable Property***

It is not intended that the Scheme should have any interest in any immovable property or tangible movable property.

### ***Spread – General***

In applying any of the restrictions referred to above, not more than 20% in the value of the Scheme property is to consist of any combination of two or more of the following:

- (a) transferable securities or money market instruments issued by; or
- (b) deposits made with; or

- (c) exposures from over the counter derivatives transactions made with a single body.

In applying any limit to transferable securities or money market instruments, any certificates representing certain securities are to be treated as equivalent to the underlying security.

The exposure to any one counterparty in an over the counter derivative transaction must not exceed 5% in value of the Scheme property. This limit may be raised to 10% where the counterparty is an approved bank as defined in COLL.

### **Concentration**

The Schemes must not hold:

- (a) transferable securities other than debt securities which:
- do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and
  - represent more than 10% of these securities issued by that body corporate;
- (b) more than 10% of the debt securities issued by any single issuing body;
- (c) more than 25% of the Units in a collective investment Scheme;
- (d) more than 10% of the money market instrument issued by a single body; and
- (e) need not comply with the limits in paragraphs a) to d) if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

### **Significant Influence**

The Schemes may only acquire transferable securities issued by a body corporate carrying rights to vote at a general meeting of that body provided that before the acquisition the aggregate number of such securities held by the Schemes does not allow it to exercise 20% or more of the votes cast at a general meeting of that body and the acquisition will not give the Schemes such power. For the purposes of this restriction the holdings of all collective investment Schemes operated or managed by the Manager are aggregated.

### **Borrowing**

Subject to the Scheme's Trust Deed and COLL (as it relates to UCITS Schemes), the Schemes may borrow money for the purposes of achieving the objectives of the Schemes on terms that such borrowings are to be repaid out of the Scheme property of the relevant Scheme. The Manager does not anticipate significant use of this borrowing power. Such borrowing may only be made from an eligible institution or approved bank (as defined in COLL) and must be on a temporary basis only. No period of borrowing may exceed 90 days without the prior consent of the Trustee (which may give such consent only on conditions as appear to the Trustee appropriate to ensure that the borrowing does not cease to be on a temporary basis). The borrowing of a Scheme must not, on any business day, exceed 10 per cent of the value of the property of the relevant Scheme. As well as applying to borrowing in a conventional manner, the 10 per cent limit applies to any other arrangement designed to achieve a temporary injection of money into the property of the Scheme in the expectation that such will be repaid. For example, by way of a combination of derivatives which produces an effect similar to borrowings.

The above provisions on borrowing do not apply to "back to back" borrowing for hedging purposes, being an arrangement under which an amount of currency is borrowed from an eligible institution and an amount in another currency at least equal to the amount of currency borrowed is kept on deposit with the lender (or his agent or nominee).

Borrowings may be made from the Trustee, the Manager or any associate of any of them provided that such lender is an eligible institution or approved bank and the arrangements are at least as favourable to the Scheme concerned as would be those of any comparable arrangements effected on normal commercial terms negotiated at arm's length between two independent parties.

### **Underwriting**

The Schemes may enter into underwriting and sub-underwriting contracts and placings, subject to certain conditions set out in COLL 5.5.8R.

### ***Stock Lending***

The Schemes or the Trustee may enter into a stock lending arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 but only if:

- (a) all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the Scheme are in a form which is acceptable to the Trustee and are in accordance with good market practice;
- (b) the counterparty is an authorised person or a person authorised by a home state regulator; and
- (c) collateral is obtained to secure the obligation of the counterparty under the terms referred to in (a) above.



## APPENDIX 3 - Investment and Borrowing Powers:

Marlborough Special Situations Fund  
Marlborough UK Micro-Cap Growth Fund  
Marlborough High Yield Fixed Interest Fund  
Marlborough UK Multi-Cap Growth Fund  
Marlborough Extra Income Fund

The investment and borrowing powers summarised in this Appendix are applicable to the following Schemes: Marlborough Special Situations Fund, Marlborough UK Micro-Cap Growth Fund, Marlborough High Yield Fixed Interest Fund, Marlborough UK Multi-Cap Growth Fund, Marlborough Extra Income Fund, referred to as "the Schemes" throughout this Appendix.

Except as provided below the Schemes may exercise the full authority and powers permitted by COLL for UCITS Schemes but are subject to the following applicable restrictions and to the relevant investment objectives and policies.

Save for any investment acquired for the purposes of hedging, the property of the Schemes may not include any investment to which a liability (whether actual or contingent) is attached unless the maximum amount of such liability is ascertained at the time when such investment is acquired for the account of the relevant Scheme.

**The Schemes may invest in derivatives for the purpose of hedging only (see the section on "Hedging" below).**

1. Up to 100% of the Scheme property of each Scheme may be invested in transferable securities which meet the following criteria:

- the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
- its liquidity does not compromise the ability of the Manager to comply with its obligation to redeem units at the request of any qualifying shareholder;
- reliable valuation is available for the transferable securities as follows:
  - (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
  - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;
- appropriate information is available for the transferable security as follows:
  - (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
  - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the Manager on the transferable security or, where relevant, on the portfolio of the transferable security;
- it is negotiable; and
- its risks are adequately captured by the risk management process of the Manager.

Unless there is information available to the Manager that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed not to compromise the ability of the Manager to comply with its obligation to redeem shares at the request of any qualifying shareholder; and to be negotiable.

***Closed end funds constituting transferable securities***

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

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

(a) it is subject to corporate governance mechanisms applied to companies; and

(b) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or

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

(a) it is subject to corporate governance mechanisms equivalent to those applied to companies; and

(b) it is managed by a person who is subject to national regulation for the purpose of investor protection.

2. Not more than 10% of the property of the Schemes can be invested in transferable securities which are not either officially listed in an EEA State or traded on or under the rules of an eligible securities market as listed in Appendix 1.

3. The property of the Schemes may be invested in transferable securities, on which any sum is unpaid only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid, could be paid by the Schemes at the time when payment is required without contravening COLL.

4. With the exception of those money market instruments specified in (h) below, not more than 5% in value of the property of the Schemes may normally be invested in any class of transferable securities issued by one issuer, although up to 10% in value of the property of the Schemes can be invested in a particular issuer provided that the total value of all those investments exceeding the 5% limit does not exceed 40% in value of the property of the Schemes.

5. Subject to 13 below, not more than 35% of the property of the Schemes may be invested in Government and public securities issued by any one body.

6. Up to 5% in value of the property of the Schemes may consist of units and/or shares in other collective investment schemes.

Not more than 5% in value of the property of the Schemes may be invested in units or shares of any one collective investment scheme and then only if certain conditions are met. The Schemes are permitted to invest in schemes managed or operated by the Manager or its associates and COLL requires that the Manager pays into the relevant Scheme property the amount or equivalent of any charges on issue or disposal of such Units or shares (excluding any form of dilution levy) borne by the Scheme.

The Schemes may invest in units in a collective investment scheme if it is one of the following schemes:

- a scheme which complies with the conditions necessary for it to enjoy the rights referred in the UCITS Directive;
- a scheme that is recognised under section 270 of the Act;
- a scheme that is authorised as a non-UCITS retail Scheme (provided that the requirements of article 19(1)(e) of the UCITS Directive are met); or
- a scheme that is authorised in another EEA State (provided that the requirements of article 19(1)(e) are complied with),

and where in each case the scheme complies with the rules relating to investment in other group schemes contained in COLL and is itself a scheme that has terms which prohibit more than 10% of its assets consisting of Units in collective investment schemes.

6. Not more than 20% of the value of the property of the Schemes may consist of transferable securities issued by the same group as defined in COLL.

7. Not more than 5% in value of the property of the Schemes may consist of warrants. Warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene COLL.

Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Schemes at any time when the payment is required without contravening COLL.

8. Up to 100% in value of the property of the Schemes can consist of money market instruments, provided each money market instrument is listed on or normally dealt on an eligible market; or is issued or guaranteed by a central, regional or local authority, a central bank of an EEA State, the European Central Bank, the European Union or the European Investment Bank, a non-EEA State or, in the case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more EEA States belong; or issued by a body, any securities of which are dealt in on an eligible market; or issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by Community law or by an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by Community law. Notwithstanding the above up to 10% of the property of the Schemes may be invested in money market instruments which do not meet these criteria.

9. Up to 20% in value of the property of the Schemes can consist of deposits with a single body. The Schemes may only invest in deposits 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.

10. The Schemes may invest up to 20% in shares and debentures which are issued by the same body where their investment policy is to replicate the composition of an index whose composition is sufficiently diversified, which is an appropriate benchmark for the market to which it refers and which is published in an appropriate manner. This limit can be raised for each Scheme up to 35% in value of the Scheme property, but only in respect of one body and where justified by exceptional market conditions.

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

#### **Policy on the extent to which Schemes are fully invested**

In the case of all the Schemes the property may consist of cash and near cash rather than securities where this may reasonably be regarded as ancillary to the objectives of the Scheme concerned or to assist in its efficient management.

#### **Derivatives**

##### **General**

A transaction in derivatives or a forward transaction must not be effected for a Scheme unless the transaction is of a kind specified below and the transaction is covered.

Where a Scheme invests in derivatives, the exposure to the underlying assets must not exceed the general limits on spread as set out in the paragraph headed "Spread – General" below, except for index-based derivatives where the rules below apply.

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

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

- a) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- c) it has significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

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

Where a Scheme invests in an index based derivative, provided the relevant index falls within COLL 5.2.33R, the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.2.11R and COLL 5.2.12R.

### **Hedging**

**The Manager may enter into transactions permitted by COLL for the purpose of hedging for the Schemes. The Manager does not anticipate that the intended use of derivatives and forwards transactions will have any detrimental effect on the overall risk profile of the Schemes.** In general, COLL permits the use of these transactions in the following ways:

- (a) transactions which are economically appropriate for the purpose of hedging; and
- (b) fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise; and
- (c) aiming for either:
  - the reduction of risk;
  - the reduction of cost; or
  - the generation of additional income or capital with an acceptably low level of risk.

Permitted hedging transactions (excluding stock lending transactions) are transactions in derivatives (i.e. options, futures or contract for differences) which are dealt in or traded on an eligible derivatives market; a forward transaction in a currency and certain off-exchange options or contracts for differences resembling options or futures in certain circumstances. The eligible derivatives market referred to for this purpose is the London International Financial Futures & Options Exchange (L.I.F.F.E.).

### **Permitted Transactions (derivatives and forwards)**

Derivatives transactions must either be in an approved derivative (being a derivative which is dealt in on an eligible derivatives market as set out in Appendix 4) or an over the counter derivative with an approved counterparty.

A transaction in a derivative must not cause a Scheme to diverge from its investment objectives as stated in the instrument of incorporation and the most recently published version of this prospectus.

Any over the counter transactions in derivatives must also be on approved terms, i.e. the counterparty has agreed with the Manager:

- (c) to provide a reliable and verifiable valuation in respect of that transaction at least daily and at any time at the request of the Manager; and
- (d) that it will, at the request of the Manager, enter into a further transaction to close out that transaction at any time, at a fair value, arrived at under the pricing model or other reliable basis agreed.

The underlying assets of a transaction in a derivative may only consist of any one or more of the following:

- transferable security;
- money market instruments;
- deposits;
- derivatives;
- collective investment Schemes;
- financial indices;
- interest rates;

- foreign exchange rates; and
- currencies.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, Units in collective investment Schemes or derivatives provided that a sale is not to be considered as uncovered if the conditions in COLL 5.2.22(3)R are (Requirement to cover sales) are satisfied.

Any forwards transaction must be made with an eligible institution or an approved bank in accordance with COLL.

### **Financial indices underlying derivatives**

The financial indices referred to above are those which satisfy the following criteria:

- a) the index is sufficiently diversified;
- b) the index represents an adequate benchmark for the market to which it refers; and
- c) the index is published in an appropriate manner.

A financial index is sufficiently diversified if:

- a) it is composed in such a way that price movements or trading activities regarding one component do not unduly affect the performance of the whole index;
- b) where it is composed of assets in which a Scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and
- c) where it is composed of assets in which the Scheme cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

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

- a) it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- b) it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publically available; and
- c) the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

A financial index is published in an appropriate manner if:

- a) its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market is not available; and
- b) material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to COLL 5.2.20R(2), be regarded as a combination of those underlyings.

### **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 a Scheme may be entered into only if:

- (a) that property can be held for the account of the Scheme; and
- (b) the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of COLL.

### **Requirement to cover sales**

No agreement by or on behalf of the Schemes to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Scheme(s) by delivery of property or the assignment of rights, and the property and rights above are owned by the Funds at the time of the agreement. This requirement does not apply to a deposit. FCA Guidance states that the requirement set out above can be met where:

- (a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument which is highly liquid; or
- (b) the Manager or the Trustee has the right to settle the derivative in cash, and cover exits within the Scheme property which falls within one of the following asset classes:
  - (i) cash;
  - (ii) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
  - (iii) other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

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

### **Over-the-counter ("OTC") transactions in derivatives**

Any transaction in an OTC derivative must be:

- (a) with an approved counterparty. A counterparty to a transaction in derivatives is approved only if the counterparty is an eligible institution or an approved bank or a person whose permission (as published in the FCA register), or whose home state authorisation, permits it to enter into such transactions as principal off exchange;
- (b) on approved terms. The terms of a transaction in derivatives are approved only if the Manager:
  - (i) carries out at least daily a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty; and
  - (ii) can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;
- (c) capable of reliable valuation. A transaction in derivatives is capable of reliable valuation only if the Manager 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:
  - (i) on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable; or
  - (ii) if the value referred to in (i) is not available, on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology; and
- (d) 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:
  - (i) an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the Manager is able to check it; or
  - (ii) a department within the Manager which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

For the purposes of paragraph (b) above, “fair value” is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms’ length transaction.

The Trustee must take reasonable care to ensure that the Manager has systems and controls that are adequate to ensure compliance with (a) to (d) above.

For the purposes of (b) above the Manager must: (i) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposure of the Scheme to OTC derivatives; and (ii) ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment. Such arrangements and procedures must be adequate and proportionate to the nature and complexity of the OTC derivative concerned and adequately documented.

***Collateral required under OTC derivative transactions must be:***

- (a) marked to market on a daily basis and exceed the value of the amount of risk;
- (b) exposed only to negligible risks (e.g. government bonds of first credit rating and is liquid);
- (c) held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party;
- (d) be fully enforceable by the Scheme(s) at any time.

OTC derivative positions with the same counterparty may be netted provided that the netting procedures comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III of the Banking Consolidation Directive; and are based on legally binding agreements.

**The commitment approach**

The global exposure of a Scheme is calculated by using the commitment approach in accordance with COLL. The Manager must ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives), whether used as part of a Scheme’s investment policy, for the purposes of risk reduction or the purposes of efficient portfolio management and convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (the “standard commitment approach”).

The Manager may apply other calculation methods which are equivalent to the standard commitment approach. The Manager may also take account of netting and hedging arrangements when calculating the global exposure of a Scheme, where such arrangement do not disregard obvious and material risks, and result in a clear reduction in risk exposure.

Where the reduction of derivatives or forward transactions does not generate incremental exposure for a Scheme, the underlying exposure need not be included in the commitment calculation.

Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of a Scheme need not form part of the global exposure calculation.

***Risk Management:***

The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure frequently as appropriate the risk of a Scheme's positions and their contribution to the overall risk profile of the Scheme.

Before using the risk management process, the Manager will notify the FCA of the details including the methods for estimating risks in derivative and forwards transactions and the types of derivatives and forwards that will be used within the Schemes together with their underlying risks and any relevant quantitative limits.

Any material alteration of the above details of the risk management procedures will be notified by the Manager in advance to the FCA.

***Derivative exposure***

The Schemes may invest in derivatives and forwards transactions only where the exposure to which the Schemes are committed by that transaction itself is suitably covered from within the Scheme's property. Exposure will include any initial outlay in respect of that transaction.

Cover ensures that the Schemes are not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Schemes' property. Therefore, the Schemes must hold property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Scheme is committed. The detailed requirements for cover of the Scheme are set out below.

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

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

### ***Cover for transaction in derivatives and forward transactions***

Global exposure relating to derivatives and forward transactions held in a Scheme must not exceed the net value of the Scheme Property. Global exposure of a Scheme must be calculated on an at least daily basis, and must take into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions and includes underwriting commitments.

Property the subject of a transaction under COLL 5.4 (Stock Lending) is only available for cover of the Manager has taken reasonable care to determine that it is obtainable (by return or reacquisition) in time to meet the obligation for which cover is required.

The global exposure of a Scheme must be calculated either as i) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives), which may not exceed 100% of the net value of the scheme property; or ii) the market risk of the scheme property (being the risk of loss of a Scheme resulting from the fluctuation in the market value of positions in a Scheme's portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness).

### **Borrowing Powers**

Subject to compliance with COLL each of the Schemes may borrow sums of money repayable out of the property of the Scheme concerned.

The Manager must ensure that such borrowing is on a temporary basis and for this purpose must have regard to:

- (a) the duration of any period of borrowing;
- (b) the number of occasions on which borrowing is undertaken in any period.

The Manager must ensure that no period of borrowing exceeds 90 days, whether in respect of any specific sum or at all, without the prior consent of the trustee.

In any event, the borrowing may not on any business day exceed 10% of the value of the property of the Scheme.

Currency other than sterling may be borrowed from an eligible institution for the purpose of hedging, under arrangements whereby a sum in sterling at least equivalent to the amount of currency borrowed is placed and kept on deposit by the Scheme concerned with the lender or its agents.

Borrowing may be made from the trustee or an associate on its best commercial terms.

### **Stock Lending**

The Manager may request the Trustee to enter into stock lending transactions; such transactions must comply with COLL. Any interest earned in respect of such loans shall become part of the property of the Schemes concerned.



## **Concentration**

The Schemes must not hold more than:

- 10% of the transferable securities issued by a body corporate which do not carry rights to vote on any matter at a general meeting of that body; or
- 10% of the debt securities issued by any one issuer; or
- 10% of the money market instruments issued by any single body; or
- 25% of the Units in a collective investment Scheme.

The Schemes need not comply with the above limits if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

## **Significant Influence**

The Schemes may only acquire transferable securities issued by a body corporate carrying rights to vote at a general meeting of that body provided that before the acquisition the aggregate number of such securities held by a Scheme does not allow it to exercise 20% or more of the votes cast at a general meeting of that body and the acquisition will not give the Scheme such power. For the purposes of this restriction the holdings of all authorised unit trusts operated or managed by the Manager are aggregated.

## APPENDIX 4 - Eligible Markets

These Eligible Securities and Derivatives Markets apply to the Marlborough Bond Income Fund and the Marlborough Global Bond Fund.

Set out below are the securities markets through which the Scheme's may invest or deal in approved securities (subject to the investment objective and policy of each Scheme):

- (a) a "regulated market" as defined in COLL;
- (b) a securities market established in any EEA State (which as at the date of this Prospectus includes Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Republic of Cyprus, Romania, Slovakia, Slovenia, Spain, Sweden and the UK) which is regulated, operates regularly and is open to the public; or
- (c) the principal or only market established under the rules of any of the following investment exchanges:

Country	Market
The United States	NYSE MKT NYSE NASDAQ Stock Exchange NYSE Arca NASDAQ OMX BX Chicago Stock Exchange
Australia	Australian Securities Exchange
Hong Kong	The Stock Exchange of Hong Kong
Singapore	Singapore Exchange
Korea	Korea Exchange

The alternative investment market (AIM) of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited is also an eligible securities market for the purposes of the Schemes.

### **Eligible Derivatives Markets**

Set out below are the derivatives markets through which the Schemes may deal (subject to the investment objective and policy of each Scheme):

Country	Market
UK	ICE Futures Europe
The United States of America	Chicago Mercantile Exchange
Europe	Euronext Amsterdam

## APPENDIX 5 - Valuation of the property of the Schemes

The property of a Scheme is valued on the following basis and is in two parts (the issue basis and the cancellation basis):

- 1 All valuations are made in the base currency and are based on the most recent prices that can be reasonably obtained after the valuation point with a view to giving an accurate valuation at that point.
- 2 To convert to the Scheme's base currency the value of the Scheme's property which would otherwise be valued in another currency the Manager must either:
  - (a) 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 Manager would normally deal if it wished to make such a conversion, or
  - (b) invite the Trustee to agree that it is in the interests of the Unitholders to select a different rate, and, if the Trustee so agrees, use that other rate.
- 3 All Scheme property as at the valuation point is included in the valuation, subject to any adjustments.
- 4 If the Trustee has been instructed to issue or cancel Units it will be assumed (unless the contrary is shown) that:
  - (a) it has been done so;
  - (b) it has paid or been paid for them; and
  - (c) all consequential action required has been taken.
- 5 If the Trustee has issued or cancelled Units but consequential action at 4(c) above is outstanding, assume that it has been taken.
- 6 Any agreement for the unconditional sale or purchase of property will be treated as having been completed and all necessary consequential actions having been taken. This is to include any agreement the existence of which is, or could reasonably be expected to be, known to the person valuing the property, assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement. However, this does not include any future or contract for differences which is not yet due to be performed or any unexpired option which has been written or purchased for the Scheme and has not yet been exercised.
- 7 An estimated amount will be deducted for anticipated tax liabilities on the following:
  - (a) unrealised capital gains where the liabilities have accrued and are payable out of the Scheme property of the Fund;
  - (b) realised capital gains in respect of previously completed and current accounting periods;

- (c) income where the liabilities have accrued;

including SDRT and any other fiscal charge not set out here.

**8** The following will also be deducted:

- (a) an estimated amount for any liabilities payable out of the property attributable to the Scheme and any tax on it (treating any periodic items as accruing from day to day);
- (b) the principal amount of any outstanding borrowings whenever payable;
- (c) any accrued but unpaid interest on borrowings;
- (d) the value of any option written (if the premium for writing the option has become part of the Scheme property of the Scheme); and
- (e) in the case of a margined contract, any amount reasonably anticipated to be paid by way of variation margin (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).

**9** An estimated amount will be added for accrued claims for repayment of taxation levied:

- (a) on capital (including capital gains); or
- (b) on income.

**10** The following will be added:

- (a) any other credit due to be paid into the Scheme property;
- (b) 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);
- (c) any SDRT provision anticipated to be received.

## Issue Basis

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

<b>Property</b>	<b>To be valued at</b>
(a) Cash	Nominal value
(b) Amounts held in current and deposit accounts	Nominal value
(c) Property which is not within (a), (b) or (d):	
If Units in an authorised Unit trust which is dual priced	Except where <b>Note 1</b> applies, the most recent maximum sale price less any expected discount (plus dealing costs) [ <b>Note 2</b> ].
If Units or shares in either an investment company with variable capital or authorised Unit trust which is single priced	The most recent price (plus dealing costs) [ <b>Notes 2 and 3</b> ]
If any other investment	Best available market dealing offer price on the most appropriate market in a standard size (plus dealing costs) [ <b>Note 2</b> ]
If other property, or no price exists under (i), (ii) or (iii)	Manager's reasonable estimate of a buyer's price (plus dealing costs) [ <b>Notes 2 and 4</b> ]
(d) Property which is a derivative under the terms of which there may be a liability to make, for the account of the Scheme, further payments (other than charges and whether or not secured by margin) when the transaction in the derivative falls to be completed or upon its closing out.	
If a written option under para 8d above	To be deducted at a net valuation of premium [ <b>Notes 5 and 8</b> ]
If an off-exchange future	Net value on closing out [ <b>Notes 6 and 8</b> ]
If any other such property	Net value of margin of closing out (whether as a positive or negative figure) [ <b>Notes 7 and 8</b> ]

### Notes

1. The issue price is taken, instead of the maximum sale price if the Manager of the authorised Unit trust whose Scheme property is being valued is also the Manager, or an associate of the Manager, of the authorised Unit trust whose Units form part of that property.
2. "Dealing costs" means any fiscal charges, commission or other charges payable in the event of the authorised Unit trust carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the authorised Unit trust are the least that could reasonably be expected to be paid in order to carry out the transaction. On the issue basis, dealing costs exclude any preliminary charge on sale of Units in an authorised Unit trust.
3. Dealing costs under Note 2. Include any dilution levy or SDRT provision which would be added in the event of a purchase by the Scheme of the Units in question but, if the Manager of the authorised Unit trust being valued, or an associate of the Manager is also the Manager of the authorised Unit

trust or the ACD of the ICVC whose Units are held by the Scheme, must not include the preliminary charge which would be payable in the event of a purchase by the Scheme of those Units.

4. The buyer's price is the consideration which would be paid by a buyer for an immediate transfer or assignment (or, in Scotland, assignation) to him at arm's length.
5. Estimate the premium on writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded; but deduct dealing costs.
6. Estimate the amount of margin (whether receivable or payable by the authorised Unit trust on closing out the contract. Deduct minimum dealing costs in the case of profit and add them in the case of loss.
7. Estimate the amount of margin (whether receivable or payable by the Fund on closing out the contract) on the best terms then available on the most appropriate market on which such contracts are traded. If that amount is receivable deduct minimum dealing costs. If however, that amount is payable then add minimum dealing costs to the margin and the value is that figure as a negative sum.
8. If the property is an over-the counter transaction in derivatives, use the relevant valuation referred to in the Regulations.

## Cancellation Basis

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

<b>Property</b>	<b>To be valued at</b>
(a) Cash	Nominal value
(b) Amounts held in current and deposit accounts	Nominal value
(c) Property which is not within (a), (b) or (d):	
If Units in an authorised Unit trust which is dual priced	Except where <b>Note 1</b> applies, the most recent minimum redemption price (less dealing costs) <b>[Note 2]</b> .
If Units or shares in either an investment company with variable capital or authorised Unit trust which is single priced	The most recent price (less dealing costs) <b>[Notes 2 and 3]</b>
If any other investment	Best available market dealing bid price on the most appropriate market in a standard size (less dealing costs) <b>[Note 2]</b>
If other property, or no price exists under (i), (ii) or (iii)	Manager's reasonable estimate of a seller's price (less dealing costs) <b>[Notes 2 and 4]</b>
(d) Property of the type described in 8d	
If a written option under para Issue Basis d above	To be deducted at a net valuation of premium <b>[Notes 5 and 8]</b>
If an off-exchange future	Net value on closing out <b>[Notes 6 and 8]</b>
If any other such property	Net value of margin on closing out (whether as a positive or negative figure) <b>[Notes 6 and 8]</b>

## **Notes**

1. The cancellation price is taken, instead of the minimum redemption price if the property, if sold in one transaction, would amount to a large deal.
2. For "dealing costs" see Note 2 for the valuation on the issue basis. Dealing costs include any charge payable on redemption of Units in an authorised Unit trust (taking account of any expected discount), except where the Manager of the Scheme is also the Manager or the associate of the Manager of the authorised Unit trust whose Units form part of that property.
3. Dealing costs under Note 2. Include any dilution levy or SDRT provision which would be deducted in the event of a sale by the Scheme of the Units in question and, except when the Manager of the Scheme, or an associate of the Manager is also the Manager of the authorised Unit trust or the ACD of the ICVC whose Units are held by the Scheme, must not include any charge payable on the redemption of those Units (taking account of any expected discount).
4. The seller's price is the consideration which would be received by a seller for an immediate transfer or assignment (or, in Scotland, assignation) from him at arm's length, less dealing costs.
5. Estimate the premium on writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded; and add dealing costs.
6. For off-exchange futures, see note 6 in the issue basis valuation provisions (above).
7. For net value of margin see note 7 in the issue basis valuation provisions (above).
8. For over-the counter transactions in derivatives see note 8 in the issue basis valuation provisions (above).



## APPENDIX 6 - Further Information

**Marlborough Fund Managers Limited acts as Authorised Corporate Director in relation to the following OEIC's:**

Marlborough OEIC:

Marlborough Defensive Fund

Marlborough No2 OEIC:

Marlborough Far East Growth Fund

Marlborough Multi-Cap Income Fund

Marlborough Nano-Cap Growth Fund

Marlborough ETF OEIC:

Marlborough ETF Commodity Fund

Marlborough ETF Global Growth Fund

Junior Gold

MFM Techinvest Special Situations Fund

MFM Techinvest Technology Fund

MFM UK Primary Opportunities Fund

**Marlborough Fund Managers Limited acts as Authorised Unit Trust Manager in relation to the following authorised unit trusts:**

Junior Oils Trust

Marlborough Balanced Fund

Marlborough Bond Income Fund

Marlborough Cautious Fund

Marlborough Emerging Markets Trust

Marlborough European Multi-Cap Fund

Marlborough Extra Income Fund

Marlborough Global Fund

Marlborough Global Bond Fund

Marlborough High Yield Fixed Interest Fund

Marlborough Special Situations Fund

Marlborough UK Micro-Cap Growth Fund

Marlborough UK Multi-Cap Growth Fund

Marlborough US Multi-Cap Income Fund

MFM Bowland Fund

MFM Hathaway Fund

**The directors of Marlborough Fund Managers Limited are:**

**Andrew Staley**

In addition to his role as director of the Manager, Mr Staley also acts as managing director of Marlborough Investment Management Limited and is a director of Investment Fund Services Limited, Marlborough Group Holdings Limited, MFM Unit Trust Managers Ltd and UFC Fund Management PLC. Mr Staley is also a non-executive director of Marlborough International Fund PCC Limited and Marlborough Multi-Asset Balanced Growth Fund Limited.

**Nicholas FJ Cooling**

In addition to his role as director of the Manager, Mr Cooling also acts as the investment director of Marlborough Investment Management Limited and is a director of Investment Fund Services Limited, Marlborough Group Holdings Limited, Marlborough International Management Limited, MFM Unit Trust Managers Ltd and UFC Fund Management PLC. Mr Cooling is also non-executive director of Marlborough International Fund PCC Limited and Marlborough Multi-Asset Balanced Growth Fund Limited.

**Allan Hamer**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited, IFSL Administration Limited, IFSL Professional Services Limited, MFM Unit Trust Managers Limited and Philotas Limited.

**Wayne D Green**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited, IFSL Administration Limited, IFSL Platform Services Limited, IFSL Professional Services Limited, MFM Unit Trust Managers Limited, UFC Fund Management International Holdings Limited and IFSL International Limited.

**Geoffrey R Hitchin**

**Dominique Clarke**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited, IFSL Administration Limited, IFSL Platform Services Limited, IFSL Professional Services Limited, MFM Unit Trust Managers Limited, MIM DFM Limited, MIM Discretionary FM Limited, Philotas Limited, UFC Fund Management International Holdings Limited and IFSL International Limited.

**Helen Derbyshire**

Also a director of Investment Fund Services Limited, Marlborough Group Holdings Limited and IFSL Administration Limited.

**Guy Sears**

Also a non-executive director of Investment Fund Services Limited.

## APPENDIX 7 - List of Trustee Delegates

Trustee Delegates	
Austria	UniCredit Bank Austria AG
Austria	Erste Group Bank Ag
Belgium	BNP Paribas Securities Services (Belgium)
Belgium	Euroclear Bank S.A./N.V.
Bulgaria	UniCredit Bulbank AD
Croatia	Privredna Banka Zagreb
Cyprus	HSBC Bank Plc, Athens
Czech Republic	Ceskoslovensak Obchodni Banka
Czech Republic	Unicredit Bank Czech Republic, A.S.
Denmark	Skandinaviska Enskilda Banken AB (publ), Copenhagen Branch
Estonia	AS SEB Pank
Finland	Skandinaviska Enskilda Banken AB (publ.), Helsinki Branch
France	CACEIS Bank
France	BNP Paribas Securities Services (France)
Germany	HSBC Trinkaus & Burkhardt
Greece	HSBC Bank Plc
Hungary	Unicredit Bank Hungary Zrt
Ireland	HSBC Bank Plc
Italy	BNP Paribas Securities Services (Italy)
Latvia	AS SEB Banka
Lithuania	SEB Bankas
Luxembourg	Clearstream Banking SA
Netherlands	BNP Paribas Securities Services (Netherlands)
Norway	Skandinaviska Enskilda Banken AB (publ) Oslo Branch
Poland	Bank Polska Kasa Opieki SA
Portugal	BNP Paribas Securities Services (Portugal)
Romania	Citibank Europe plc, Romania branch
Slovakia	Ceskoslovenska Obchodna Banka A.S.

Slovenia	Unicredit Banka Slovenija DD
Spain	BNP Paribas Securities Services (Spain)
Sweden	Skandinaviska Enskilda Banken AB (publ.)
United Kingdom	Deutsche Bank AG (London Branch)
United Kingdom	JPMorgan Chase Bank NA (London)
United Kingdom	HSBC Bank Plc (UK)
United Kingdom	State Street Bank & Trust Co (UK)
United Kingdom	UBS AG, London branch
Australia	HSBC Bank Australia Ltd
Canada	Royal Bank of Canada
Hong Kong	The Hongkong and Shanghai Banking Corporation Ltd (HK)
Singapore	The Hongkong and Shanghai Banking Corporation Ltd (Singapore)
South Korea	The Hongkong and Shanghai Banking Corporation Ltd (South Korea)
United States	HSBC Bank (USA) NA
United States	Brown Brothers Harriman & Co
United States	Citibank, N.A. (USA)
United States	The Bank of New York Mellon Corporation
United States	JPMorgan Chase Bank NA