

**IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD  
CONSULT YOUR PROFESSIONAL ADVISER**



## **ABERFORTH UK SMALL COMPANIES FUND**

### **Prospectus**

*This document constitutes the Prospectus of the Aberforth UK Small Companies Fund (the "Fund") prepared in accordance with the Collective Investment Schemes Sourcebook ("COLL"). This Prospectus is valid as at and dated **6 August 2021**. All previous versions are cancelled. Copies of this Prospectus have been sent to The Financial Conduct Authority and to the Trustee.*

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

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

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

The provisions of the trust deed for the Fund dated 17 December 1990, as amended (the "Deed") are binding on each unitholder (who are taken to have notice of them).

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 The Manager cannot be bound by an out of date Prospectus when it has issued a new Prospectus and investors should check with the Manager that this is the most recently published Prospectus.

This document is important and the information contained in it should be carefully considered before a decision is made to purchase units in the Fund. If you are in any doubt as to the meaning of any information contained in this document, you should consult your financial adviser.

## CONTENTS

DEFINITIONS .....	5
PART 1      MANAGEMENT AND ADMINISTRATION .....	7
Regulatory status.....	7
Manager .....	7
Trustee .....	8
Investment Adviser .....	10
Registrar .....	10
Dealing and registration.....	10
Auditor .....	11
PART 2      CONSTITUTION AND OBJECTIVES OF THE FUND .....	12
Establishment of the Fund.....	12
Investment objective .....	12
Investment policy .....	12
Investment strategy.....	13
Investment restrictions .....	14
Underwriting and sub-underwriting transactions.....	15
Stock lending arrangements .....	16
Borrowings.....	16
Winding up of the Fund .....	17
Accounting and income distribution and allocation dates.....	18
Annual and half-yearly long reports .....	19
Characteristics of units in the Fund .....	19
Meetings of unitholders.....	20
PART 3      VALUATION OF THE FUND AND PRICING .....	22
Valuation .....	22
Fair Value Pricing .....	22
Dealing in units.....	23
Pricing basis .....	23
Publication of prices .....	24
PART 4      PURCHASE AND REDEMPTION OF UNITS .....	25
Limited issue units .....	25
Dealing .....	26
Applications for units .....	26

	Redeeming units.....	28
	Dealings by the Manager and the Trustee .....	30
PART 5	CHARGES .....	32
	Management charges .....	32
	Preliminary charge.....	32
	Increase in management charges and introduction of preliminary charge.....	32
	Trustee and Custodian fees .....	32
	Other expenses of the Fund .....	33
PART 6	TAXATION .....	35
	The Fund.....	35
	The unitholder.....	35
	Individual Savings Accounts (ISA) .....	36
PART 7	GENERAL INFORMATION.....	37
	Inspection of Fund documents .....	37
	Notices to unitholders.....	38
	Profile of a typical investor .....	38
	Unitholder classification.....	38
	Conflicts of interest .....	38
	Data Protection Act 2018 .....	39
	Recording of telephone calls .....	39
PART 8	RISK WARNINGS .....	40
PART 9	HISTORICAL PERFORMANCE .....	43
APPENDIX	VALUATION OF THE PROPERTY OF THE FUND.....	44

## DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

"Act"	the Financial Conduct and Markets Act 2000
"AIM"	the Alternative Investment Market of the LSE
"Auditor"	PricewaterhouseCoopers LLP
"Business Day"	any day on which the LSE is open
"COLL"	the Collective Investment Schemes Sourcebook made by the FCA pursuant to the Act, as amended from time to time
"Custodian"	any entity to which the Trustee may delegate the activities of a custodian
"Deed"	the trust deed for the Fund dated 17 December 1990, as amended
"Depository Agreement"	means the depository agreement made between NatWest Trustee and Depository Services Limited and the Manager
"Fair Value Price"	the price which, in the opinion of the Manager, acting in good faith, reflects a fair and reasonable price for an investment
"FCA"	the Financial Conduct Authority
"Fund"	Aberforth UK Small Companies Fund
"Investment Adviser"	Aberforth Partners LLP
"Investment Management Agreement"	the discretionary investment management agreement between the Manager and the Investment Adviser dated 26 September 2005 in relation to the provision of discretionary investment management services in relation to the Fund
"LSE"	the London Stock Exchange plc
"Manager"	Aberforth Unit Trust Managers Limited
"Management charge"	an ongoing fee paid to the Manager for managing the fund
"Prospectus"	this document
"Registrar"	Link Fund Administrators Limited
"Retail Client"	has the same meaning as in the FCA Rules, and for the purpose of this Prospectus, will be a person that holds units in the Fund
"Sub-Custodian"	means The Northern Trust Company Limited
"Subscription Day"	any Business Day on which units are bought or sold
"Threshold Amount"	the lower of £5 million or 3% of the gross assets of the Fund in any one week (net of any redemptions during that week)
"Trustee"	NatWest Trustee and Depository Services Limited, acting as the Trustee and Depository
"Unit"	An equal portion representing part ownership of a unit trust fund

- “Valuation Point”** 4.30pm (UK time) on each Business Day or the time that trading on the LSE ceases on that day if earlier
- “Value Investment Philosophy”** an investment strategy that seeks to achieve superior returns for investors by identifying companies that are available on the stockmarket at prices below their actual or intrinsic values.

In this document, unless the context requires otherwise:

- (a) "issue" refers to the issue of units by the Trustee and "issue price" has a corresponding meaning;
- (b) "cancellation" refers to the cancellation of units by the Trustee and "cancellation price" has a corresponding meaning;
- (c) "redemption" refers to the sale of units by a unitholder to the Manager acting as principal and "redemption price" has a corresponding meaning;
- (d) "purchase" refers to the purchase of units by an investor from the Manager acting as principal and "purchase price" has a corresponding meaning; and
- (e) "price" means the relevant price of units.

## PART 1

### MANAGEMENT AND ADMINISTRATION

#### Regulatory status

The Manager, the Trustee and the Investment Adviser are authorised and regulated by the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN.

#### Manager

Aberforth Unit Trust Managers Limited is a private company limited by shares and was incorporated in Scotland under the Companies Act 1985 on 2 May 1990 with registered number SC124771. The registered office of the Manager is at 14 Melville Street, Edinburgh EH3 7NS (Telephone number: +44 (0)131 220 0733). The Manager does not act in any capacity in relation to any other collective investment schemes.

The directors of the Manager are as follows:

- S.L. Wallace (Chairman)
- D.M. Cooper
- S.G. Ford
- K.F. Muir
- J.S. Richards
- P.R. Shaw

The issued share capital of the Manager as at the date of this document is £10,000 (fully paid up). The entire issued share capital of the Manager is held by Aberforth Partners LLP.

The Manager is responsible for making decisions as to the acquisition of investments in accordance with the investment objectives and policy of the Fund, valuing the property of the Fund, calculating the price of units and arranging for the issue and cancellation of units. The Manager has delegated this and some of the other functions for which it is responsible to the Investment Adviser as noted on page 10.

## **Trustee**

The Trustee is NatWest Trustee and Depositary Services Limited. The Trustee is incorporated in England as a private limited company. Its registered and head office is at 250 Bishopsgate, London EC2M 4AA. The ultimate holding company of the Trustee is NatWest Group plc, which is incorporated in Scotland. The principal business activity of the Trustee is the provision of trustee and depositary services.

### *Duties of the Trustee*

The Trustee is responsible for the safe-keeping of all scheme property, monitoring cash flows of the Fund and has a duty to take reasonable care to ensure that the Fund is managed in accordance with the provisions of the Trust Deed and the Depositary Agreement, the current Prospectus and the relevant provisions of COLL in relation to investment and borrowing powers, dealing, valuation and pricing, and income (accounting, allocation and distribution).

### *Conflicts of Interest*

The Trustee may act as the depositary of other open-ended investment companies and as trustee or custodian of other collective investment schemes.

It is possible that the Trustee and/or its delegates and sub-delegates may in the course of its or their business be involved in other financial and professional activities which may on occasion have potential conflicts of interest with the Fund and/or other funds managed by the Manager or other funds for which the Trustee acts as the depositary, trustee or custodian. The Trustee will, however, have regard in such event to its obligations under the Depositary Agreement and the COLL Rules and, in particular, will use reasonable endeavours to ensure that the performance of its duties will not be impaired by any such involvement it may have and that any conflicts which may arise will be resolved fairly and in the best interests of unitholders collectively so far as practicable, having regard to its obligations to other clients.

Nevertheless, the Depositary operates independently from the Fund, unitholders, the Manager and its associated suppliers and the Custodian. As such, the Depositary does not anticipate any conflicts of interest with any of the aforementioned parties.

Up-to-date information regarding the Trustee, its duties, any safekeeping functions delegated by the Trustee and any conflicts of interest which may arise from such delegation is available on request from the Manager.

#### Delegation of Safe Keeping Functions

The Trustee is permitted to delegate (and authorise its delegate to sub-delegate) the safekeeping of scheme property.

The Trustee has delegated safekeeping of the scheme property to The Northern Trust Company (“the Custodian”).

#### Terms of Appointment

The Trustee was appointed as the Trustee of the Fund by virtue of the Trust Deed and is a firm authorised by the Regulator to act as trustee and depositary of a fund. The Trustee was appointed as depositary under the Depositary Agreement between the Manager, and the Trustee.

Under the Depositary Agreement, the Trustee is free to render similar services to others and the Trustee and the Manager are subject to a duty not to disclose confidential information. The powers, duties, rights and obligations of the Trustee, and the Manager under the Depositary Agreement shall, to the extent of any conflict, be overridden by the FCA Rules.

Under the Depositary Agreement the Trustee will be liable to the Fund for any loss of Financial Instruments held in custody or for any liabilities incurred by the Fund as a result of the Trustee’s negligent or intentional failure to fulfil its obligations. However, the Depositary Agreement excludes the Trustee from any liability except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence in the performance or non-performance of its obligations. It also provides that the Fund will indemnify the Trustee for any loss suffered in the performance or non-performance of its obligations except in the case of fraud, wilful default, negligence or failure to exercise due care and diligence on its part.

The Depositary Agreement may be terminated on 180 days notice by the Manager or the Trustee or earlier on certain breaches or the insolvency of a party to the Depositary Agreement. However, termination of the Depositary Agreement will not take effect, nor may the Trustee retire voluntarily, until the appointment of a new Depositary.

Details of the fees payable to the Trustee are given in Part 5. Unitholders may request up-to-date information from the Manager regarding the information set out above.

### **Investment Adviser**

Aberforth Partners LLP is a UK limited liability partnership having legal personality under the laws of England. It was incorporated under the Limited Liability Partnerships Act 2000 on 21 May 2005 with registered number OC313353. The principal place of business of the Investment Adviser is 14 Melville Street, Edinburgh EH3 7NS (Telephone number: +44 0131 220 0733). The Investment Adviser is a legal entity in the same corporate group as the Manager. The principal activity of the Investment Adviser is investment management on behalf of a number of clients, including investment trusts and discretionary mandates.

The Investment Adviser has been appointed pursuant to the Investment Management Agreement to make all day to day investment and dealing decisions on behalf of the Manager in accordance with the Deed and COLL and to provide the Manager with certain administrative and technical support facilities and services in respect of the Fund. A fee for services is paid by the Manager to the Investment Adviser but is not deducted from the property of the Fund. The Investment Adviser is not subject to the UCITS remuneration code. However, it is subject to regulatory requirements on remuneration that are equally effective under the FCA Prudential Rules set out in the BIPRU and AIFMD Rules. Details of its remuneration policy are available on request and on our website at [www.aberforth.co.uk](http://www.aberforth.co.uk). The Investment Management Agreement will be terminated if certain events occur, including if the Manager ceases to be the manager of the Fund or if the Fund is wound up.

### **Registrar**

The Manager has appointed Link Fund Administrators Limited, whose registered office is 6th Floor, 65 Gresham Street, London, EC2V 7NQ, to maintain the register of unitholders in relation to the Fund. The register is maintained at the Registrar's principal place of business, Arlington Business Centre, Millshaw Park Lane, Leeds LS11 0PA, where it can be inspected.

### **Dealing and registration**

The Manager has delegated the unit trust dealing and registration functions in relation to the Fund to Link Fund Administrators Limited, whose registered office is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

**Auditor**

The auditor of the Fund is PricewaterhouseCoopers LLP, Atria One, 144 Morrison Street, Edinburgh EH3 8EX.

## PART 2

### CONSTITUTION AND OBJECTIVES OF THE FUND

#### **Establishment of the Fund**

The Fund was constituted by the Deed and is an authorised unit trust scheme under the Financial Services and Markets Act 2000 (the "Act"). The effective date of the authorisation order made by the Financial Conduct Authority was 25 January 1991. The Fund is a UCITS scheme as defined by COLL (Product Reference number 147093).

Investors in the Fund hold units, which reflect the value of the assets held by the Fund. Unitholders are not liable for the debts of the Fund.

#### **Investment objective**

The investment objective of the Fund is to seek to achieve a total return, calculated on an income reinvested basis, greater than the Numis Smaller Companies Index (excluding Investment Companies) over the long term, or, if that index is not available, another index which the Manager considers is comparable to the Numis Smaller Companies Index (excluding Investment Companies).

#### **Investment policy**

The Fund aims to achieve its objective by investing in small UK quoted companies. These are companies with a market capitalisation, at time of purchase, equal to or lower than the largest company in the bottom 10% of the main UK equity market or companies in the Numis Smaller Companies Index (excluding Investment Companies). At 1 January 2021 (the date of the last annual index rebalancing), the index included 334 companies, with an aggregate market capitalisation of £141 billion. Its upper market capitalisation limit was £1.5 billion, although this limit changes owing to movements in the stockmarket. If any holding no longer falls within this definition of a small company, its securities become candidates for sale.

Portfolio risk is spread by diversification of holdings in individual companies: the portfolio will usually have holdings in over 80 small UK quoted companies.

The Fund's policy towards companies quoted on the Alternative Investment Market (AIM) generally precludes investment, except either where an investee company moves from the "Main Market" to AIM (so as to avoid being a forced seller) or where a company quoted on AIM has committed to move from AIM to the "Main Market" (so as to enable investment before a full listing is obtained). The Fund does not invest in any unquoted companies.

The Manager aims to keep the Fund near fully invested in equities at all times and there is normally no attempt to engage in market timing by holding high levels of liquidity.

The Manager believes that small UK quoted companies continue to provide opportunities for positive total returns over the long term. Any material changes to the Fund's investment objective and policy will be subject to Unitholder approval.

### **Investment strategy**

The Manager adheres to a value investment philosophy. In practice, this approach utilises several valuation metrics, recognising that flexibility is required when assessing businesses in different industries and that buyers of these businesses may include other corporates as well as stockmarket investors. As a result of this philosophy, the Fund's holdings are usually on more attractive valuations than the average for the NSCI (XIC). While there is good evidence that a value approach within small UK quoted companies results in superior returns over the long term, there can be extended periods when the value style is out of favour.

The Manager selects companies for the portfolio on the basis of fundamental or "bottom-up" analysis. Analysis involves scrutiny of businesses' financial statements and assessment of their market positions. An important part of the process is regular engagement with board members of prospective and existing investments. Holdings are sold typically when their valuations reach targets determined by the Managers.

The Numis Smaller Companies Index (excluding Investment Companies) is the Fund's chosen benchmark. It is the reference point for defining the investment objective ("Target benchmark") and evaluating the Fund's performance ("comparator benchmark"). Although the Fund's portfolio is constructed with reference to UK small companies and the NSCI (XIC), it can be differentiated from the index. The use of the NSCI (XIC) as a benchmark reflects the emphasis within the portfolio on small UK quoted companies and the desire to achieve the investment objective by investing in companies whose shares represent relatively attractive value within a given stockmarket environment.

In order to improve the odds of achieving the investment objective, the Manager believes that the portfolio must be adequately differentiated from the benchmark index. Therefore, within the diversification parameters described in Investment Policy, the Manager regularly reviews the level of differentiation, with the aim of maximising the active share of the portfolio.

The Fund's eligible markets, as defined in COLL, are the Official List of the London Stock Exchange plc ("LSE") and the Alternative Investment Market ("AIM") of the LSE. The Fund's base currency is Pounds Sterling.

The capital property of the Fund will consist of transferable securities, as defined in COLL. The Fund will not invest in any immovable property or tangible movable property.

### **Investment restrictions**

Under COLL, as it applies to the Fund, the following restrictions apply.

- (i) There is no limit on the value of the property of the Fund that may consist of approved securities within the meaning of COLL; i.e. transferable securities which are admitted to official listing in an EEA State or traded on or under the rules of an eligible securities market.
- (ii) With the exception of government and other public securities, not more than 5% in value of the property of the Fund is to consist of transferable securities issued by any one issuer, but this limit may be increased to 10% in respect of up to 40% of the value of the property of the Fund.
- (iii) With the exception of government and other public securities, not more than 20% in value of the property of the Fund may consist of transferable securities issued by the same group. Companies included in the same group for the purposes of consolidated accounts as defined in accordance with the Seventh Council Directive 83/349/EEC of 13 June 1983 based on Article 54(3) of the Treaty on Consolidated Accounts or, in the same group in accordance with international accounting standards, are regarded as a single body.
- (iv) Not more than 10% in value of the property of the Fund may consist of transferable securities which are not approved securities for the purposes of COLL.
- (v) No part of the property of the Fund may consist of units in other collective investment schemes.

- (vi) Not more than 5% in value of the property of the Fund may consist of warrants provided that warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene COLL.
- (vii) Subject to any restrictions imposed by the Fund's investment objective and policy as set out above, up to 35% of the value of the property of the Fund may be invested in government and other public securities issued by any one issuer. Subject to this restriction, there is no limit on the amount of the property of the Fund which may be invested in such securities issued by any one issuer or of any one issue.
- (viii) The Fund may not hold transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10% of those securities issued by that body corporate.
- (ix) The Fund may not hold more than 10% of the debt securities issued by any single issuing body.

The investment restriction set out at paragraphs (v) and (vi) above are more onerous than that imposed by Chapter 5 of COLL.

When valuing the property of the Fund for the purposes of applying the above investment restrictions, the cancellation basis of valuation will be applied.

#### **Underwriting and sub-underwriting transactions**

The Fund may enter into agreements or understandings from time to time that are underwriting or sub-underwriting agreements or contemplate that securities will or may be issued or subscribed for the account of the Fund. COLL requires that the exposure of the Fund to any agreement or understanding of this nature must, on any day, be:

- covered globally in accordance with the requirements of COLL; and
- such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of COLL.

## **Stock lending arrangements**

The Trustee may, at the Manager's request, enter into stock lending transactions (involving a disposal of property in the Fund and reacquisition of equivalent property) for the account of the Fund when it appears reasonable to the Manager to be economically appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

Such stock lending transactions must be of the kind described in section 263B of the Taxation and Chargeable Gains Act 1992 (without extension by section 263C), and comply with the relevant requirements of the FCA Rules from time to time and the specific conditions set out in COLL, which require, *inter alia*, that:

1. the terms of the agreement under which the Trustee is to re-acquire the securities must be acceptable to the Trustee and in accordance with good market practice;
2. the counterparty must be acceptable in accordance with COLL; and
3. the collateral must be acceptable to the Trustee and satisfy other conditions set down in COLL.

Although the Manager may enter into the arrangements noted above by virtue of COLL, the Manager does not currently intend to enter into any stock lending arrangements.

## **Borrowings**

The Trustee on the instruction of the Manager may borrow sums of money for the use of the Fund on terms that the borrowing is to be repayable out of the property of the Fund. The power to borrow is subject to the obligation of the Fund to comply with any restriction in the Deed. The Trustee may borrow money only from an eligible institution or an approved bank (as defined in the Glossary to the FCA Handbook).

The Manager must ensure that any borrowing of the Fund is on a temporary basis and that the borrowings are not persistent, and for this purpose the Manager must have regard in particular to the duration of any period of borrowing; and the number of occasions on which resort is had to borrowing in any period. It is the Manager's policy to use borrowings on a temporary basis to manage the cash flow requirements of the Fund and the issue and cancellation of units.

The Manager must ensure that no period of borrowing exceeds 3 months, whether in respect of any specific sum or at all, without the prior consent of the Trustee (who may give such consent only on conditions which ensure that the borrowing does not cease to be temporary).

The Manager must in addition ensure that borrowings do not, on any day, exceed 10% of the value of the Fund. For these purposes borrowing includes any arrangement designed to achieve a temporary injection of money into the property of the Fund in the expectation that the sum will be repaid.

### **Winding up of the Fund**

- (a) The Fund may be wound up on any of the following occasions:
- (i) the authorisation order declaring the Fund to be an authorised unit trust scheme being revoked; or
  - (ii) in response to a request to the FCA by the Manager or the Trustee for the revocation of the authorisation order, the FCA having agreed, albeit subject to there being no material change in any relevant factor, that, on the conclusion of the winding up of the Fund, the FCA will accede to that request; or
  - (iii) the effective date of a duly approved scheme of arrangement, which is to result in the Fund being left with no property.

If any of these events occur, Chapter 6 of COLL, concerning the operation of the Fund on a day-to-day basis, including pricing and dealing, will cease to apply, the Trustee shall cease the issue and cancellation of units and the Manager will stop redeeming and selling units. In addition, Chapter 5 of COLL concerning investment and borrowing powers will cease to apply.

- (b) The procedure to be adopted on a winding up is as follows:
- (i) In a case falling within paragraph (a)(iii) above (scheme of arrangement), the Trustee shall wind up the Fund in accordance with the approved scheme of arrangement.
  - (ii) In any other case:
    - (1) the Trustee must, as soon as practicable after the Fund falls to be wound up, realise the property of the Fund;

- (2) after paying therefrom, or retaining adequate provision for all liabilities properly so payable and for the costs of winding up, the Trustee must distribute the proceeds of that realisation to the unitholders and the Manager (upon production by them of such evidence as the Trustee may reasonably require as to their entitlement thereto) proportionately to their respective interests in the Fund as at the date of the relevant event giving rise to the winding up; and
  - (3) any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after the expiration of twelve months from the date on which they became payable must be paid, as the court may direct, subject to the Trustee having a right to retain any expenses incurred by it relating to that payment.
- (iii) Where the Trustee and one or more unitholders agree, the requirement in (ii) to realise the property of the Fund does not apply to that part of the property proportionate to the entitlement of that or those unitholders. The Trustee may distribute that part in the form of property, after making adjustments or retaining provisions as appears to the Trustee appropriate for ensuring that, that or those unitholders bear a proportional share of the liabilities and costs.
- (iv) On completion of the winding up in respect of the events referred to at (a) (ii) or (iii) above, the Trustee must notify the FCA in writing of that fact and, at the same time, the Manager or Trustee must request the FCA to revoke the relevant authorisation order.

#### **Accounting and income distribution and allocation dates**

The Fund's accounting reference date is 31 December in each year. The half-yearly accounts will be made up to the close of business on 30 June in each year. The annual income distribution and allocation date is 28 February in each year. The interim income distribution and allocation date is 31 August in each year and is in respect of the interim accounting period ending on 30 June of that same year. If an income distribution remains unclaimed for a period of six years after it has become due it will be paid into the Fund, by the Manager, and will become part of the capital property of the Fund for the benefit of all unitholders.

## **Annual and half-yearly reports**

The Manager's annual reports will be sent to unitholders no later than the last day of April each year and its half-yearly reports will be sent to unitholders no later than the last day of August each year. The accounts contained in the annual and half yearly reports will be prepared in accordance with COLL and the Statement of Recommended Practice for Financial Statements of Authorised Funds.

## **Characteristics of units in the Fund**

Under the terms of the Deed, the Fund may issue:

- (a) limited issue units that are also accumulation units;
- (b) limited issue units that are also income units;
- (c) accumulation units; or
- (d) income units.

as the Manager so decides, provided that limited issue units may not be in issue at the same time as units that are not limited issue units.

**The Fund is a limited issue fund and only has in issue limited issue units that are either income units or accumulation units, which are denominated in Pounds Sterling in registered form.** An income unit entitles the holder to a cash payment representing the net income attributable to that unit at each income allocation date. An accumulation unit does not entitle the holder to any actual payment of the net income attributable to that unit, but that income is automatically reinvested within the Fund and reflected in the unit price. Further details of the limited issue units are set out in Part 4 of this document.

An income unit represents one undivided share in the property of the Fund. An accumulation unit represents a number of undivided shares in the property of the Fund which increases with the automatic reinvestment of net income which takes place at the end of each distribution period.

A unitholder of each type of unit is entitled to participate in the property of the Fund and the income thereof *pari passu* with unitholders of the same type of unit. A unitholder's right in respect of the Fund as represented by his units is that of a beneficial interest under a trust. The title to units is evidenced by entries in the register of unitholders and neither certificates or bearer certificates are issued.

Unitholders will be issued with contract notes upon purchasing or redeeming units and may, at any time, request the Registrar to provide them with a printed statement of their unit holdings.

Unitholders may switch between income and accumulation units within the Fund at no charge by providing instructions in writing to the Manager's unit trust dealing department at the address detailed on page 24. A unitholder's interest in undivided shares in the property of the Fund is not impacted by such a switch.

### **Meetings of unitholders**

Rules for the calling and conduct of meetings of unitholders and the voting rights of unitholders at such meetings are governed by COLL. At a meeting of unitholders a resolution put to the vote shall be decided on a show of hands unless a poll is demanded by the Chairman, by the Trustee or by one or more unitholders present in person or by proxy and holding or representing not less than 1/20th of the value of the property of the Fund represented by the units for the time being in issue. On a show of hands every unitholder who (if an individual) is present in person or, (if a body corporate) is present by its representative duly authorised in that regard, has one vote. On a poll every unitholder who is present in person or by proxy has one vote for every complete undivided share and a further part of one vote proportionate to any fraction of an undivided share of which he is the unitholder. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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

In the case of joint unitholders, the vote of the senior who votes whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint unitholders and for this purpose seniority shall be determined by the order in which the names stand in the register of unitholders. On a poll votes may be given either personally or by proxy.

The Manager is not entitled to be counted in the quorum of, and the Manager or any associate of the Manager is not entitled to vote at, any meeting of unitholders. This prohibition to vote does not apply to any units which the Manager or its associate holds 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 its associate (as the case may be) has received voting instructions. Therefore, the units treated as held by the Manager must not, except as mentioned in the preceding sentence, be regarded as being in issue in relation to such meetings.

The Manager must obtain the prior approval of unitholders by way of an extraordinary resolution if it proposes any change to the Fund which is a "fundamental change" for the purposes of COLL. A fundamental change for the purposes of COLL is a change or event which:

- (a) changes the purposes or nature of the Fund; or
- (b) may materially prejudice a unitholder; or
- (c) alters the risk profile of the Fund; or
- (d) introduces any new type of payment out of the property of the Fund.

**The Manager is not required to obtain the prior approval of unitholders in relation to a change which is a "significant change" or a "notifiable change". The Manager is, however, required to give unitholders at least 60 days prior notice of a significant change and must inform unitholders of a notifiable change unless it concludes that the change is insignificant.**

## PART 3

### VALUATION OF THE FUND AND PRICING

Valuation of property of the Fund for the purpose of the calculation of issue and cancellation and purchase and redemption prices of units will be carried out in accordance with the rules for dual-priced authorised funds in COLL.

#### **Valuation**

The property of the Fund is valued in Sterling at the Valuation Point on each Business Day in order to calculate the prices at which units in the Fund can be issued, cancelled, purchased and redeemed. The Manager may carry out additional valuations if it considers it desirable to do so.

All property of the Fund is included in the valuation of the Fund for pricing purposes and the impact of all issues and cancellations of units for previous Valuation Points are incorporated. The investments of the Fund are valued using the most recent prices that can be obtained after the Valuation Point. Other assets and liabilities of the Fund, e.g. cash and amounts held on deposit, are valued at their nominal value and periodic expenses of the Fund are accrued daily.

Further details on the valuation of the Fund for pricing purposes are included in the Appendix.

#### **Fair Value Pricing**

Where the Manager has reasonable grounds to believe that:

- (a) no reliable price exists for a security at a Valuation Point; or
- (b) the most recent price available does not reflect the Manager's best estimate of the value of the security at the Valuation Point,

it can value an investment at a price which, in its opinion, acting in good faith, reflects a fair and reasonable price for that investment (the "Fair Value Price").

The circumstances which may give rise to a Fair Value Price being used may include, for example, where trading of a security has been suspended or restricted.

In considering whether to use a Fair Value Price, the Manager will include in its consideration:

- (i) the nature of the Fund;
- (ii) the securities involved;
- (iii) the basis and reliability of the alternative price used;
- (iv) the Manager's policy in relation to valuation as disclosed in this Prospectus.

### **Dealing in units**

Requests for the purchase or redemption of units may be dealt with by the issue or cancellation of units in the Fund. The Manager may also, in accordance with COLL, deal with such requests by selling units to, or redeeming units from, the applicant, as appropriate. The Manager is entitled to hold units for its own account, and to satisfy applications for units from any holding of its own. However, the Manager does not intend to hold units for its own account and does not seek to make a profit from dealing in units. The Manager is required by COLL to procure the issue or cancellation of units in the Fund by the Trustee where necessary to meet any obligations to investors to issue or redeem units. Units are not listed on any investment exchange.

Deals in units must be placed before the Valuation Point. Prices for the dealing in units are calculated using the closing prices on the day the Valuation Point occurs. This results in forward pricing of units, i.e. investors will not know at the time of placing a deal (purchase or redemption) at what price the transaction will be effected. The number of units will be determined to the nearest  $\frac{1}{1000}$ th of a unit and all prices of units will be determined to at least four significant figures.

### **Pricing basis**

The Manager operates dual pricing. This means that each valuation of the property of the Fund consists of two parts, carried out on an issue basis and a cancellation basis respectively. A valuation on an issue basis is used to establish the purchase and issue price of units. A valuation on a cancellation basis is used to establish the redemption and cancellation price of units. These valuations may differ.

A valuation on an issue basis involves valuing the Fund's property on the basis of the cost of acquiring the property (i.e. market prices, dealing costs, stamp duty etc.) divided by the number of undivided shares in the property of the Fund in existence. A valuation on a cancellation basis involves valuing the Fund's property on the basis of the amount that the Fund would receive if the property were sold (i.e. market prices less dealing costs and expenses) and dividing the result by the number of undivided shares in the property of the Fund in existence.

The prices of units include, as a capital sum, an income equalisation amount which generally represents the value of income attributable to the unit which has accrued since the last income accumulation date.

The Deed allows the Manager, with the consent of the Trustee, to group units for equalisation over each accounting period so that the total of the amounts included in the price of all units purchased by investors over such a period is averaged and, on the first accumulation of income after the purchase of a unit, there will be included, as a capital sum, an amount representing the average equalisation.

#### **Publication of prices**

The most recent purchase and redemption prices of the Fund are currently published daily on the Manager's website at [www.aberforth.co.uk](http://www.aberforth.co.uk), and the cancellation price last notified to the Trustee is available from the Manager on request. As the Manager deals on a forward pricing basis the price that appears on the Manager's website will not necessarily be the one at which unitholders may currently deal. The Manager does not accept responsibility for the accuracy of any prices published by other sources for reasons beyond the control of the Manager.

## PART 4

### PURCHASE AND REDEMPTION OF UNITS

#### Limited issue units

The Fund is a limited issue fund and has limited issue units that are either income or accumulation units in issue. Accordingly, under COLL, a subsequent issue of either income or accumulation units in the Fund must not be made unless, at the time of issue:

- (a) the Manager is satisfied on reasonable grounds that the proceeds of the issue can be invested without compromising the Fund's investment objective or adversely affecting its future investment performance; and
- (b) the issue will not materially prejudice the interests of existing unitholders.

It is the Manager's opinion that normally the issue of new units for an aggregate consideration of up to the lower of £5 million or 3% of the gross assets of the Fund in any one week can be made without breaching the requirements referred to above (the "Threshold Amount"). In respect of any applications for units which require the issue of new units to exceed this aggregate Threshold Amount, the Manager intends to take into account the following in considering whether the requirements referred to above are satisfied.

- (i) The current levels of cash within the Fund.
- (ii) The stockmarket liquidity of the securities falling within the Fund's investment portfolio.
- (iii) Any other factors which the Manager considers relevant to its ability to invest the proceeds of the issue of new units in appropriate investments.

Notwithstanding the above, the Manager reserves the right to refuse an application for units where, in its sole discretion, it considers that it would be unable to comply with the requirements of COLL (for example, when due to market movements or a surge of inflows into the Fund the Manager is of the view that capacity had been reached).

In the event that the issue of units is limited under the above provisions, the Manager intends to reject applications for units as described under the sub-heading "Rejection of applications for units" below.

## **Dealing**

Units may normally be bought and sold on any Business Day between 9.00 a.m. and the Valuation Point that day (generally 4.30 p.m.) (a "Subscription Day"). Orders may be placed by telephone or sent in writing to the Manager's unit trust dealing department at:

Aberforth Unit Trust Managers Limited

PO Box 388

Unit 1

Roundhouse Road

Darlington

DL1 9UE

Telephone: 0345 6080940

Application forms may be obtained from the Manager. In addition, the Manager may in the future make arrangements to allow units to be bought through other communication media.

The Manager may, with the prior agreement of the Trustee or shall, if the Trustee so requires, temporarily suspend the issue, cancellation, purchase and redemption of units for as long a period as is necessary if it, or the Trustee in the case of any requirement by it, is of the opinion that there is a good and sufficient reason to do so having regard to the interests of unitholders.

The Manager and the Trustee must formally review the suspension at least every 28 days and inform the FCA of the result of this review with a view to ending the suspension as soon as practicable.

## **Applications for units**

Units may be bought directly from the Manager or through your professional adviser or other intermediary. No commissions are paid by the Manager.

Units can be purchased at a price which is not more than the issue price applicable at the next Valuation Point after the instructions are received, as calculated in accordance with COLL. If for any reason your subscription monies cannot be invested by the next Valuation Point after receipt, they will either be returned to you or retained in a non-interest-bearing client money account pending investment. The minimum value of units which may be the subject of any one initial or subsequent purchase transaction is currently £1,000. However, this minimum amount may be waived and/or altered by the Manager in its sole discretion at any time.

The Manager is not obliged to issue units unless it has received cleared funds from, or on behalf of, the applicant. If full payment is not received on or before the third Business Day following the day the units are issued, the Manager may cancel those units and/or recover from the investor any shortfall or interest charges incurred as a result of late payment.

Purchases of units will be acknowledged by contract note, which will be issued by the close of the Business Day following the allocation of units. Applications will not otherwise be acknowledged. Purchasers of units must provide full registration details on the form supplied with the contract note if not already provided. These details will be entered on the register of holders when the units are paid for.

#### *Rejection of applications for units*

The Manager reserves the right to refuse to accept an application for units where, in its sole discretion, it is unable to comply with the requirements of COLL or it has reasonable grounds to refuse the application. In particular, the Manager may exercise this discretion if it reasonably believes the investor has been or intends to engage in market timing activities. If the Manager decides to impose a limit on the number of units to be issued on a Subscription Day, it will refuse applications for units in excess of such limit. The Manager shall determine, in its sole discretion, which applications shall be accepted. The Manager shall notify unsuccessful applicants of its decision as soon as possible. In the event that an application for units is rejected and the unitholder has already paid for such purchase then the applicant's monies will be returned as soon as practicable.

#### *Share exchange*

The Trustee may accept securities of suitable companies in exchange for units as provided for in COLL. Details of investments offered for exchange should be sent to the Manager.

### *Compliance with regulatory requirements*

The Manager is responsible for compliance with anti-money laundering regulations and must take all reasonable steps to prevent the use of laundered money for the acquisition of units. In addition, the Manager is also responsible for ensuring compliance by the Fund and its investors with the requirements of International Tax Compliance Regulations. The Manager therefore operates detailed internal compliance procedures in relation to each and every application for units so as to verify the identity and *bona fides* of the investor and the source of the funds offered in consideration of the purchase price. The type and degree of information required will vary from case to case, and may depend on whether, for example, the prospective unitholder has been introduced to the Manager by or through the agency of an associate of the Manager or an independent financial intermediary in good standing with the Manager. Specific details of the information required from existing and prospective investors in units will be notified to them. The Manager reserves the right to delay processing an investment and or withhold payment due or any transfer until satisfactory evidence of identity and source of funds has been received.

### *Right to withdraw*

An investor may be entitled to cancel (i.e. withdraw from) an application to purchase units for a period of 14 days from his receipt of a contract note, and to request the return of his money. If an investor has a right to cancel and exercises that right, and if the value of the investment has fallen before the Manager receives notice of the cancellation, then the amount of the refund that the investor receives will reflect that fall in value.

### **Redeeming units**

The Manager will buy back units from registered holders, free of commission and with no redemption charge levied, at not less than the cancellation price applicable at the next Valuation Point after the instructions are received, as calculated in accordance with COLL. The Manager reserves the right in its sole discretion to refuse partial redemptions for amounts below £1,000.

A contract note will be issued by the close of the Business Day following the redemption of units, to confirm the transaction. For redemptions, in the absence of clear written instructions signed by the registered unitholder, a Form of Renunciation will be sent out with the redemption contract note. This must be signed by the registered unitholder or unitholders and returned to the Manager's unit trust dealing department at the above address before settlement can be effected. The transfer of title to units in the Fund may not currently be effected by way of an authority given by electronic means.

Payment due in respect of redemptions will be made, in accordance with COLL, not later than the close of business on the third Business Day following the later of the next Valuation Point after receipt by the Manager of the request to redeem and the receipt by the Manager of the properly completed documentation required to complete the redemption. If for any reason payment cannot be made by the close of business on the third Business Day, sale proceeds will be protected and held in a non-interest-bearing client money account pending remittance.

Payments will be made by means of electronic transfer wherever possible or by cheque. Cheques will be sent by second class post (if in the United Kingdom) or air mail post (if to an overseas unitholder). All payments (however despatched) are made at the unitholder's sole risk.

#### *Redemptions by corporations, trusts and other bodies corporate*

Unitholders that are corporations, trusts or other bodies corporate must ascertain that the Manager has received sufficient documentary evidence that the person(s) seeking to redeem on their behalf are duly authorised to do so. The Manager will refuse instructions for redemption which are accompanied by insufficient documentation. Unitholders who need additional information on the required documents should contact the Manager.

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

In the case of an *in-specie* redemption which is not settled *pro rata*, the redeeming investor will be liable for any SDRT arising.

#### *Stamp Duty*

In the case of unitholders effecting taxable transfers between themselves, then the acquirer will be required to pay an amount equal to 0.5% of the value of the units being transferred prior to the transfer being registered by the Registrar.

### *Deferred redemption*

If at any one Valuation Point the Manager has received requests to redeem units with a value in excess of 10% of the value of the Fund, it may, in its sole discretion, defer the excess over 10% until the next Valuation Point (which will normally be the following Business Day). Any such deferral will only be taken in such a manner as to ensure the consistent treatment of all unitholders who had sought to redeem units at the Valuation Point at which redemptions were deferred. Deferral will be pro-rated based on the value of units being redeemed (provided that the Manager may determine in its discretion a value threshold below which all redemptions will be effected, and above which the foregoing pro-rata deferral shall apply), and so that all deals relating to an earlier Valuation Point are completed before those relating to a later Valuation Point are considered. Redemptions not processed at a Valuation Point will be processed at the next Valuation Point, up to the 10% limit.

Units will be redeemed at the relevant redemption price prevailing on the Business Day on which they are redeemed.

The ability to defer redemptions, where it is considered to be appropriate, should enable the Manager to protect the interests of continuing unitholders in the Fund by allowing it to more effectively match the sale of assets to the level of redemptions.

### *In specie redemption*

On receipt of a redemption request from a unitholder, the Manager will have the option for a transfer of Fund property to be made instead of payment. In such circumstances the redemption would then be effected by the Trustee cancelling the units in question and transferring, to the unitholder, the relevant proportion, or as near as is in the Trustee's opinion practicable to the relevant proportion having consulted the Manager and having regard to the need to be fair both to the unitholder and to continuing unitholders, of each description of asset in the property of the Fund.

### **Dealings by the Manager and the Trustee**

COLL contains provisions governing transactions concerning the Fund carried out by or with an affected person, that is to say:

- (i) the Manager;
- (ii) an associate of the Manager;

- (iii) the Trustee;
- (iv) an associate of the Trustee;
- (v) any investment adviser; and
- (vi) any associate of any investment adviser.

Those provisions enable an affected person to, *inter alia*, sell or deal in the sale of property to the Trustee for the account of the Fund; vest property in the Trustee against the issue of units in the Fund; purchase property from the Trustee acting for the account of the Fund; or provide services for the Fund. Any such transactions with or for the Fund are subject to best execution or (alternatively) independent valuation or arm's-length transaction requirements as set out in COLL. Any services provided for the Fund must comply with the arm's-length transaction requirements.

## **PART 5**

### **CHARGES**

#### **Management charges**

There is a management charge of 0.75% per annum of the valuation of the Fund's property,  $\frac{5}{8}$ <sup>ths</sup> of which is allocated to the capital property of the Fund and the remaining  $\frac{3}{8}$ <sup>ths</sup> to the income property of the Fund and is paid to the Manager monthly in arrears. The valuation of the Fund's property for this purpose is determined by striking an arithmetic average of the issue and cancellation valuations as at the Valuation Point immediately preceding the start of the relevant monthly fee period. Deducting a proportion of this charge from the capital property of the Fund may result in capital erosion or constrain the capital growth of the Fund.

#### **Preliminary charge**

There is currently no preliminary charge included in the price of units. No commissions are paid by the Manager.

#### **Increase in management charges and introduction of preliminary charge**

The Manager is authorised to increase the management charges or introduce a preliminary charge by giving at least 60 days notice to unitholders of its intention to do so and by revising the Prospectus to reflect the proposed increase and/or introduction. The Manager has no present intention to increase either the management charges or introduce a preliminary charge.

#### **Trustee and Custodian fees**

The fees of the Trustee accrue, are charged to the property of the Fund, and are paid monthly on a sliding scale reflecting the size of the Fund, namely, on the first £50m – 0.03% per annum; between £50m and £150m – 0.02% per annum; between £150m and £200m – 0.01% per annum; over £200m – 0.005% per annum (plus VAT or any equivalent tax thereon). The Deed allows for a minimum annual fee to the Trustee of £3,000 plus VAT.

The Trustee is responsible for ensuring safe custody of the property of the Fund and is authorised by COLL to delegate such activities to a custodian (the “Custodian”). The Custodian receives fees and transaction charges for acting as custodian of the property of the Fund and these are respectively 0.004% per annum and £5.00 per transaction. The Manager has appointed a third-party registrar (Link Fund Administrators Limited) to establish and maintain a register of unitholders in the Fund on its behalf. The costs incurred by the Registrar shall be charged to the property of the Fund at such rates as shall be agreed between the Manager, the Trustee and the Registrar from time to time.

Any changes in the Trustee’s fee will be agreed between the Trustee and Manager and, prior to implementing any increase, at least 60 days notice will be given to unitholders.

In addition, Chapter 6 of COLL provides for the reimbursement out of the property of the Fund of expenses properly incurred by the Trustee in performing or arranging for the performance of the functions conferred on the Trustee by COLL. This includes the reimbursement of the costs of the Registrar or any other registrar appointed from time to time. This will include and not be limited to costs incurred in developing, purchasing or maintaining fund administration systems including software and costs incurred in complying with regulatory, tax or legal requirements imposed on the Fund.

#### **Other expenses of the Fund**

The following other expenses of the Fund are also payable out of the property of the Fund:

- (i) broker's commission, fiscal charges and other disbursements which are:
  - (a) necessarily incurred in effecting transactions for the Fund; and
  - (b) normally shown in contract notes, confirmation notes and difference accounts as appropriate.
- (ii) interest on borrowings permitted under the Fund and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- (iii) taxation and duties payable in respect of the property of the Fund, the Deed or the issue of units and any stamp duty reserve tax charged in accordance with Schedule 19 of the Finance Act 1999 (or any statutory modification or re-enactment thereof);

- (iv) any costs incurred in modifying the Deed, including costs incurred in respect of meetings of unitholders convened for the purposes which include the purpose of modifying the Deed, where the modification is:
  - (a) necessary to implement, or necessary as a direct consequence of, any change in the law (including changes made by COLL); or
  - (b) expedient having regard to any change in the law made by or under any fiscal enactment and which the Manager and the Trustee agree is in the interests of unitholders; or
  - (c) to remove from the Deed obsolete provisions.
- (v) 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;
- (vi) liabilities on transfer of assets permitted by 6.7.15R of COLL, provided that the Trustee, as the successor in title to the property transferred, may pay out of the property of the Fund any liability arising after the transfer which, had it arisen before the transfer, could properly have been paid out of the property transferred if:
  - (a) there is nothing in the Deed expressly forbidding the payment; and
  - (b) the Manager is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of the transfer.
- (vii) the fees and expenses properly payable for audit and taxation services to the Fund and the costs of printing and distributing the Annual and Interim Reports of the Fund;
- (viii) the fees of the FCA under Schedule 1 Part III 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 Fund are or may be marketed; and
- (ix) VAT payable in connection with any of the above.

## PART 6

### TAXATION

The following summary is intended as a guide to UK taxation of unit trusts and their unitholders. It is not intended as definitive and investors should consult their professional advisers about their position with respect to their taxation. The tax levels and reliefs referred to are those currently applicable and may change. The value of tax reliefs depends on the individual financial circumstances of the investor.

#### **The Fund**

As an authorised unit trust, the Fund is not subject to UK taxation on capital gains arising on the disposal of its property. The Fund is, however, liable to UK corporation tax on its income, other than dividends from UK companies, less its expenses of management and interest charges, at a rate of 20%.

#### **The unitholder**

Under current UK tax legislation, no withholding tax will be deducted from dividend distributions paid, or accumulated, by the Fund. Accumulations comprise income for UK tax purposes for all unitholders and are treated as a dividend distribution.

For unitholders who are liable to UK corporation tax, income allocations may be split into two. Allocations representing dividends received by the Fund from UK equities will not be taxable. Allocations representing income other than UK source dividends will be subject to UK corporation tax as if they were annual payments made after deduction of income tax at a rate of 20%. The maximum amount of income tax, if any, that may be reclaimed from the HM Revenue & Customs is the corporate unitholder's portion of the Fund's net liability to corporation tax in respect of the gross income.

The first income allocation received by an investor after buying units may include an amount of income equalisation. This is effectively a repayment of the income equalisation paid by the investor as part of the purchase price. It is a return of capital and is not liable to income tax. Rather, it should be deducted from the acquisition cost of the units for capital gains tax purposes.

Any gains arising on the disposal of units could be liable to capital gains tax (excluding switches between income and accumulation units).

#### **Individual Savings Accounts (ISA)**

Units can be held in an ISA and in a Lifetime ISA. Under the current UK tax regime, the returns on units

held in an ISA are free of personal income tax and capital gains tax.

## PART 7

### GENERAL INFORMATION

#### Inspection of Fund documents

The Deed and any amending instrument, annual and half-yearly reports, and the most recent version of the Prospectus for the Fund can be inspected at the offices of the Manager and the Trustee listed above during usual business hours on any Business Day. In addition, the Manager has produced a Key Investor Information Document (KIID) and Supplementary Information Document (SID) and publishes Monthly Factsheets:

- The KIID is a document that should be read by investors when they invest in the Fund and it summarises key features of the Fund including the investment objective and policy, past performance, fees and charges and risk/reward profile.
- The SID provides additional information about various aspects of buying and selling units, as well as details of the information required in order to satisfy anti-money laundering and tax reporting regulatory requirements, how client money is held and protected and how complaints are dealt with etc.
- The Monthly Factsheet gives information about the performance of the Fund, a Manager's commentary and information on the top 10 holdings.

Copies of these documents can be obtained from the Manager on request and can be viewed or downloaded directly from the Manager's website at [www.aberforth.co.uk](http://www.aberforth.co.uk).

In addition, the Manager will, on request of a unitholder in the Fund, provide information supplementary to this Prospectus relating to:

- (i) the quantitative limits applying to the risk management of the Fund;
- (ii) the methods used in relation to (i); and
- (iii) any recent development of the risk and yields of the main categories of investment.

## **Notices to unitholders**

A notice is duly served to unitholders if it is delivered to the unitholder's address as appearing in the register or delivered by using an electronic medium in accordance with COLL. Any notice or document served by post is deemed to have been served on the second Business Day following the day on which it is posted. Any document left at a registered address or delivered other than by post is deemed to have been served on that day.

## **Profile of a typical investor**

The Fund is marketable to retail and institutional investors and is suitable for investors planning to hold their investment for the medium to long term. The Fund may not be appropriate for investors who plan to withdraw their money within five years. The reference to a five-year time horizon is a recommended minimum and not a recommendation to sell at the end of this minimum period. In considering the merits of investing in the Fund, investors should consult their investment adviser and the latest annual or half-yearly report of the Fund.

## **Unitholder classification**

Unless otherwise agreed by the Manager, unitholders will be categorised as Retail Clients in respect of the services to be provided under this Prospectus. This gives unitholders the highest level of protection under the FCA Rules.

## **Conflicts of interest**

The Manager, the Investment Adviser and other companies within the Aberforth group may, from time to time, act as investment advisers or advisers to other schemes, funds or sub-funds which follow similar investment objectives to those of the Fund. It is therefore possible that the Manager and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Fund. Any conflicts of interest that may arise will be managed in accordance with the FCA Rules.

The Trustee may, from time to time, act as trustee, depositary or custodian of other collective investment schemes. It is therefore possible that the Trustee may in the course of its business have potential conflicts of interest with the Fund, investors in the Fund, the Manager, the Investment Adviser and/or other companies within the Aberforth Group. Should this arise, any conflicts of interest will be managed in accordance with the FCA Rules.

**Data Protection Act 2018**

For the purposes of the Data Protection Act 2018, the data controller in relation to any personal data you supply is the Manager. Information you supply may be processed for the purpose of investment administration by the Manager and/or the Investment Adviser, by third parties who provide services to the Manager and/or the Investment Adviser and by your financial adviser, if any. You have the right to apply for a copy of information held by us about you covered by the Data Protection Act 2018, as well as to have any of your information updated or corrected.

**Recording of telephone calls**

Telephone calls with the Registrar and the Manager may be monitored and recorded.

## PART 8

### RISK WARNINGS

The following general risk warnings should be considered before making your investment decision.

- (i) There can be no guarantee that the objectives of the Fund will be achieved or provide the returns sought by the Fund.
- (ii) Capital may be at risk as the value of units in the Fund and the income or capital entitlement which may derive from the Fund, if any, may fall as well as rise and is not guaranteed; therefore investors may not get back the amount originally invested.
- (iii) Past performance is not a guide to future performance, or a reliable indicator of future results or performance.
- (iv) Unless the performance of your investment meets or exceeds the rate of inflation, the real value of your investment will reduce.
- (v) Changes in economic or political conditions or other factors can substantially and potentially adversely affect the value of investments and, accordingly, the performance and prospects of the Fund.
- (vi) The purchase and redemption prices of the Fund are calculated on each Business Day and are influenced by the value of the assets held by the Fund. The value of these assets depends upon market movements, which are outside the control of the Manager. Securities markets have in the past experienced extreme volatility that has often been unrelated to the operating performance of particular companies or funds. Any broad market fluctuations may adversely affect the price of the units issued by the Fund.
- (vii) There is a management charge of 0.75% per annum of the valuation of the Fund's property which accrues and is paid monthly in arrears.  $\frac{5}{8}$ <sup>ths</sup> of the management charge is allocated to the capital property of the Fund and the remaining  $\frac{3}{8}$ <sup>ths</sup> to the income property of the Fund (see the section entitled "Management charges" in Part 5 above). Deducting a proportion of this charge from the capital property of the Fund may result in capital erosion or constrain capital growth. If in the unlikely event that the income generated by the Fund is insufficient to meet its portion of the management charge, the balance will be deducted from the Fund's capital and to that extent may also result in capital erosion or constrain capital growth.

- (viii) There is currently no preliminary charge included in the price of units (see the section entitled “Preliminary charge” in Part 5 above). The Deed does, however, allow a preliminary charge to be introduced. If a preliminary charge were introduced, there could be no guarantee that capital appreciation would occur in the early years of an investment in the Fund on the basis that a preliminary charge is not levied uniformly throughout the life of the investment. If a preliminary charge were introduced, on encashment, particularly in the short term, you may receive less than the original amount invested.
- (ix) The dealing spread of the Fund, which represents the difference between the buying and selling prices, will have an impact on the realisable value of any investments made in the Fund, particularly in the short term. To mitigate the impact of capital erosion, it is recommended that investors should not withdraw their money within five years. The reference to a five-year time horizon is a recommended minimum and not a recommendation to sell at the end of this minimum period.
- (x) You may be entitled to cancel (i.e. withdraw from) an application to purchase units in certain circumstances (see the sub-section entitled “Right to withdraw” in Part 4 above). If you have the right to cancel and you exercise that right in accordance with the terms of the Deed and applicable law, the amount of the refund that you will receive will be reduced to reflect any fall in the value of your investment that may have occurred before the Manager received notice of the cancellation.
- (xi) Tax legislation and the levels of relief from taxation can change at any time. Any change in the tax status of a Fund or in tax legislation could affect the value of the investments held by the Fund, affect its ability to provide returns to its investors or alter the post-tax returns to investors. The tax treatment of an investment will depend on the individual circumstances of the investor and may be subject to change in the future. If investors are in any doubt as to their tax position, they should consult their professional adviser.
- (xii) An investment in a Fund is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from such an investment (which may be equal to the whole amount invested). Such an investment should be regarded as long-term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio. If you have any doubts as to the suitability of this investment, please contact a financial adviser. Please note that the Manager does not provide investment advice.

- (xiii) Covid-19 virus – In the context of market price risk, please note the exceptional circumstances arising from the COVID-19 pandemic and the responses to it. These have profoundly affected macro-economic activity, the operations of companies around the world and their stock market valuations. The Manager and Investment Adviser continue to monitor market developments as the impact of the pandemic and the vaccine roll-out progresses.

The following risk warnings specific to investing in a fund that invests in small UK quoted companies should also be considered before making your investment decision.

- (i) Investment in securities of smaller companies can involve greater risk than is customarily associated with investment in larger, more established companies. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. Proper information for determining their value, or the risks to which they are exposed, may also not be readily available.
- (ii) The market for securities in smaller companies is often less liquid than that for securities in larger companies, bringing with it potential difficulties in buying, valuing and selling of such securities.
- (iii) The performance of shares in smaller companies may be more volatile than shares in larger companies over short time periods and therefore the realisable value of the units may be more volatile. It is recommended that investors should hold their investment for at least five years.
- (iv) The Fund may also invest in smaller companies listed on AIM, which also carry similar risks to those described above.

**PART 9**

**HISTORICAL PERFORMANCE**

<b>Total Returns (%)</b>	<b>%</b>	
<i>Period</i>	<i>Fund*</i>	<i>Index**</i>
1 year to 31 December 2020	-15.1	-4.3
1 year to 31 December 2019	27.0	25.2
1 year to 31 December 2018	-15.3	-15.3
1 year to 31 December 2017	21.6	19.5
1 year to 31 December 2016	5.6	11.1

The value of investments can fall as well as rise. Past performance should not be seen as an indication of future performance.

\* *Represents cancellation price to cancellation price with income reinvested. Up to date prices and past performance returns are published on the Manager's website at [www.aberforth.co.uk](http://www.aberforth.co.uk). This information is also available from the Manager on request.*

\*\* *Represents capital appreciation on the Numis Smaller Companies Index (excluding Investment Companies) with net dividends reinvested.*

## APPENDIX

### VALUATION OF THE PROPERTY OF THE FUND

Valuations of the Fund for pricing purposes will be carried out in accordance with the following provisions.

#### Frequency of the valuation

- (1) The Manager will carry out valuations of the Fund each Business Day.
- (2) The Manager may also undertake additional valuations as required.
- (3) During the period of an initial offer no valuation will be required.

#### How the valuation is performed

- (4) The valuation will take place as at a Valuation Point fixed by the Manager (normally 4.30pm UK time).
- (5) The valuation will be in the base currency of the Fund, UK Sterling.
- (6) Prices applied will be the most recent prices that can reasonably be obtained after the Valuation Point with a view to giving an accurate valuation as at that point.
- (7) The valuation will be in two parts, one on an issue basis and one on a cancellation basis.

#### Items included in the valuation

- (8) All scheme property will be included, subject to adjustments detailed below, and all items will be applied as at the Valuation Point.
- (9) If the Trustee has been instructed to issue or cancel units, it will be assumed (unless the contrary is shown) that:
  - (a) it has done so;
  - (b) it has paid or been paid for them; and

- (c) all consequential action required by the Prospectus or by the Trust Deed has been taken.
- (10) If the Trustee has issued or cancelled units but consequential action as at (9) (c) above is outstanding, it will be assumed that it has been taken.
- (11) If agreements for the unconditional sale or purchase of property are in existence but uncompleted, it will be assumed that:
  - (a) they have been completed; and
  - (b) that all consequential action required by their terms has been taken.
- (12) Paragraph (11) will not include any agreement which is an unexpired option written or purchased for the Fund which has not yet been exercised.
- (13) Any other agreement the existence of which is, or could reasonably be expected to be, known to the Manager will be included in paragraph (11).

#### **Tax and other adjustments**

- (14) An estimated amount for anticipated tax liabilities will be deducted:
  - (a) on unrealised capital gains where the liabilities have accrued and are payable out of the scheme property;
  - (b) on realised capital gains in respect of previously completed and current accounting periods;
  - (c) on income where the liabilities have accrued; and
  - (d) including stamp duty reserve tax and any other fiscal charge not otherwise covered under this paragraph.
- (15) The following will also be deducted:
  - (a) an estimated amount for any liabilities payable out of the scheme property 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; and

- (c) any accrued but unpaid interest on borrowings.
- (16) An estimated amount for accrued claims for repayment of taxation levied will be added:
- (a) on capital (including capital gains); or
  - (b) on income.
- (17) Plus any other credit due to be paid into the scheme property.

**Valuations on an Issue Basis**

- (18) The valuation of property for that part of the valuation which is on a creation basis will be 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) or (b):	
(i) if any other investment	best available market dealing offer price on the most appropriate market in a standard size (plus dealing costs) [Note 1]
(ii) if other property, or no price exists under (i)	manager's reasonable estimate of a buyer's price (plus dealing costs) [Notes 1 and 2]

**Notes**

1. In this paragraph and paragraph (19) "dealing costs" means any fiscal charges, commission or other charges payable in the event of the Fund carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the Fund are the least that could reasonably be expected to be paid in order to carry out the transaction.
2. The buyer's price is the consideration which would be paid by a buyer for an immediate transfer or assignment (or, in Scotland, assignment) to him at arm's length.

## Valuations on a Cancellation Basis

- (19) The valuation of property for that part of the valuation which is on a cancellation basis will be as follows:

<b>Property</b>	<b>To be valued at</b>
(a) Cash	nominal value
(b) Amounts held in current deposit and loan accounts	nominal value
(c) Property which is not within (a) or (b):	
(i) if any other investment	best available market dealing bid price on the most appropriate market in a standard size (less dealing costs) (Note 1)
(ii) if other property, or no price exists under (i)	manager's reasonable estimate of a seller's price (less dealing costs) (Notes 1 and 2)

### Notes

1. For dealing costs see note 1 at paragraph (18).
2. 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.