

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

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

PROSPECTUS

OF

YFS Kernow Investment Funds ICVC

**(An open-ended investment company
incorporated with limited liability authorised as a non-UCITS Retail Scheme
(NURS) and registered in England and Wales
under registered number IC066148)**

This document constitutes the Prospectus for **YFS Kernow Investment Funds ICVC** ("Company") which has been prepared in accordance with the Collective Investment Schemes Sourcebook ("COLL Sourcebook") and the Investment Funds Sourcebook ("FUND Sourcebook"), which forms part of the FCA Handbook and complies with the requirements of COLL 4.2.5R and FUND 3.2.2R.

This Prospectus is dated and valid as at 12 February 2026. This document replaces any previous prospectuses issued by the Company.

Copies of this Prospectus have been sent to the Financial Conduct Authority and the Depository.

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Important information

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

The Depository is not a person responsible for the information contained in this Prospectus and, accordingly does not accept any responsibility for it under the COLL Sourcebook, the FUND Sourcebook or otherwise.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company 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.

The Shares have not been and will not be registered under the 1933 Act or the securities laws of the United States. The Shares may not be offered or sold directly or indirectly in the United States or to or for the account or benefit of any US Person or in a transaction not subject to the regulatory requirements of, the 1933 Act and any applicable state securities laws. Any re-offer or resale of any of the Shares in the United States or to US Persons may constitute a violation of US law. The Company have not been and will not be registered under the 1940 Act and investors will not be entitled to the benefit of registration.

The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of these offering materials. Any representation to the contrary is unlawful. The Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the 1933 Act and applicable state securities laws, pursuant to registration or exemption therefrom.

In order to ensure compliance with the restrictions referred to above, the Company is, accordingly, not open for investment by any US Persons or ERISA Plans except in exceptional circumstances and then only with the prior consent of the ACD. A prospective investor may be required at the time of acquiring Shares to represent that such investor is a qualified holder and not a US Person or acquiring Shares for the account or benefit, directly or indirectly, of a US Person or with the assets of an ERISA Plan. The granting of prior consent by the ACD to an investment does not confer on the investor a right to acquire Shares in respect of any future or subsequent application.

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

The provisions of the Instrument of Incorporation are binding on each of the Shareholders and a copy of the Instrument of Incorporation is available on request from Yealand Fund Services Limited.

This Prospectus has been issued for the purpose of section 21 of the Financial Services and Markets Act 2000 by Yealand Fund Services Limited.

The distribution of this Prospectus in certain jurisdictions may require that this Prospectus is translated into the official language of those countries. Should any inconsistency arise between the translated version and the English version, the English version shall prevail.

This Prospectus is based on information, law and practice at the date hereof. The Company and ACD cannot be bound by an out of date prospectus when a new version has been issued and investors should check with Yealand Fund Services Limited that this is the most recently published prospectus.

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

1. **DEFINITIONS**

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|-----------------------------------|---|
| "ACD" | Yealand Fund Services Limited, the authorised corporate director of the Company |
| "ACD Agreement" | an agreement between the Company and the ACD |
| "Administrator" | the entity who provides fund administration and accounting services, being Yealand Fund Services Limited and its successor or successors |
| "AIFMD" | Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 |
| "AIFMD Level 2 Regulation" | the UK version of Commission delegated regulation (EU) No 231/2013 supplementing Directive 2011/16/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision, which is part of UK law by virtue of the EUWA |
| "AIFMD UK Regulation" | the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) |
| "AML" | anti-money laundering |
| "Approved Bank" | (in relation to a bank account opened by the Company): (a) if the account is opened at a branch in the UK: (i) the Bank of England; or (ii) the central bank of a member state of the OECD; or (iii) a bank; or (iv) a building society; or (v) a bank which is supervised by the Bank of England or the central bank or other banking regulator of a member state of the OECD; or (b) if the account is opened elsewhere: (i) a bank in (a); or (ii) a bank which is regulated in the Isle of |

Man or the Channel Islands; or

- (c) a bank supervised by the South African Reserve Bank, or
- (d) any other bank that:
 - (i) is subject to regulation by a national banking regulator;
 - (ii) is required to provide audited accounts;
 - (iii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time); and
 - (iv) has an annual audit report which is not materially qualified,

as such definition may be updated in the glossary of definitions in the FCA Handbook from time to time

“Associate”

any other person whose business or domestic relationship with the ACD or the ACD’s associate might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties

“Auditor”

Moore Kingston Smith LLP, or such other entity as is appointed to act as auditor to the Company from time to time

“Business Day”

a day on which the London Stock Exchange is open. If the London Stock Exchange is closed as a result of a holiday or for any other reason, or there is a holiday elsewhere or other reason which impedes the calculation of the fair market value of the Sub-fund’s portfolio of securities or a significant portion thereof, the ACD may decide that any Business Day shall not be construed as such

“CASS”

the requirements relating to holding client assets and client money published by the FCA as part of the FCA Handbook, as amended or replaced from time to time

“CCP”

has the meaning ascribed to it in the glossary of definitions to the FCA Handbook

“Class” or “Classes”

in relation to Shares, means (according to the context) all of the Shares related to a single Sub-fund or a particular class or classes of Share related to a single Sub-fund

“COLL”

refers to the appropriate chapter or rule in the COLL Sourcebook

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| “COLL Sourcebook” | the Collective Investment Schemes Sourcebook issued by the FCA as amended from time to time |
| “Company” | YFS Kernow Investment Funds ICVC |
| “Data Protection Legislation” | the General Data Protection Regulation (Regulation (EU) 2016/679), the Data Protection Act 2018, the Regulation of Investigatory Powers Act 2000, the Directive on privacy and electronic communications 2002/58/EC, the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2003/2426), the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000 (SI 2000/2699) and all laws and regulations relating to processing of personal data and privacy under any jurisdiction in or from which the Company is operated by the ACD or the Shares are marketed, including, where applicable, the guidance and codes of practice issued by the Information Commissioner (being the supervisory authority in the UK responsible for administering Data Protection Legislation in the UK), or any other supervisory authority, and the equivalent of any of the foregoing in any relevant jurisdiction, in each case as re-enacted or amended from time to time, as onshored by the EUWA and including any statutory equivalent of the above which forms part of UK law by virtue of the EUWA, as applicable |
| “Dealing Day” | Weekly on a Thursday (unless this is not a Business Day, in which case the Sub-fund will deal on the next Business Day) and/or any other additional days at the ACD’s discretion agreed with the Depositary |
| “Dealing Cut-Off” | 5pm on each Wednesday (UK Time) prior to the Valuation Point where that day is a Business Day. Where such day is not a Business Day the Dealing Cut-Off will be the 5pm on the previous Business Day |
| “Depositary” | NatWest Trustee & Depositary Services Limited, or such other entity as is appointed to act as Depositary |
| “Director” or “Directors” | the directors of the Company from time to time (including the ACD) |
| “EEA” | the European Economic Area |
| “EEA State” | a member state of the European Union and any other state which is within the European Economic Area |

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| “Efficient Portfolio Management” or “EPM” | <p>for the purposes of this prospectus, techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:</p> <p>(a) they are economically appropriate in that they are realised in a cost effective way;</p> <p>(b) they are entered into for one or more of the following specific aims:</p> <p>(i) reduction of risk;</p> <p>(ii) reduction of cost;</p> <p>(iii) generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL. For further information see Appendix III</p> |
| “Eligible Institution” | one of certain eligible institutions as defined in the glossary of definitions to the FCA Handbook |
| “EMIR” | means EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories, as amended from time to time and as onshored by the EUWA and including any statutory equivalent of the above which forms part of UK law by virtue of the EUWA |
| “ERISA Plan” | (i) any retirement plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (ii) any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended; or (iii) an entity whose assets include plan assets by reason of a plan’s investment in the entity (generally because 25% or more of a class of equity interests in the entity is owned by plans) |
| “EUWA” | the European Union (Withdrawal) Act 2018 |
| “Exit Day” | the day the EUWA entered into force |
| “FATCA” | means the Foreign Account Tax Compliance Act (US) |
| “the FCA” | the Financial Conduct Authority or any other regulatory body which may assume its regulatory responsibilities from time to time |
| “the FCA Handbook” | the FCA’s Handbook of rules and guidance, as amended from time to time |
| “FCA Rules” | the rules from time to time contained in COLL and FUND but, for the avoidance of doubt, not including |

guidance or evidential requirements contained in either

“the Financial Services Register”

the public record, as required by section 347 of the Financial Services and Markets Act 2000 (The public record) of every:

- (a) authorised person;
- (b) AUT;
- (c) ICVC;
- (d) recognised scheme;
- (e) recognised investment exchange;
- (f) recognised clearing house;
- (g) individual to whom a prohibition order relates;
- (h) approved person; and
- (i) person within such other class (if any) as the FCA may determine; except as provided by any transitional provisions

“FUND”

refers to the appropriate chapter or rule in the FUND Sourcebook

“FUND Sourcebook”

the Investment Funds Sourcebook issued by the FCA as amended from time to time

“Fund Accountant”

the person who provides fund accounting services, being Yealand Fund Services Limited and its successor or successors as fund accountant

“Home State”

- (1) (in relation to a credit institution) the UK or the EEA State in which the credit institution has been authorised in accordance with the Banking Consolidation Directive as amended, including any statutory equivalent which forms part of UK law by virtue of the EUWA
- (2) (in relation to an investment firm):
 - (a) where the investment firm is a natural person, the UK or the EEA State in which his head office is situated;
 - (b) where the investment firm is a legal person, the UK or the EEA State in which its registered office is situated or, if under its national law it has no registered office, the UK or the EEA State in which its head office is situated

- (3) (in relation to an insurer with an EEA right) the EEA State in which the registered office of the insurer is situated
- (4) (in relation to a market) the UK or the EEA State in which the registered office of the body which provides trading facilities is situated or, if under its national law it has no registered office, the UK or the EEA State in which that body's head office is situated
- (5) (in relation to a Treaty firm, being a firm whose head office is situated in an EEA State and which is recognised under the law of that EEA State as its national) the EEA State in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the Act (Treaty rights)

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| "ICVC" | investment company with variable capital |
| "Instrument of Incorporation" | the instrument of incorporation of the Company as amended from time to time |
| "Investment Manager" | Kernow Asset Management Limited, the investment manager to the ACD in respect of the Company |
| "Net Asset Value" or "NAV" | the value of the Scheme Property of the Company or of any Sub-fund (as the context may require) less the liabilities of the Company (or of the Sub-fund concerned) as calculated in accordance with the Instrument of incorporation |
| "Non-UCITS retail scheme" | an authorised fund which is neither a UCITS Scheme nor a qualified investor scheme |
| "OEIC Regulations" | the Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time |
| "OTC" | over-the-counter derivative: a derivative transaction which is not traded on an investment exchange |
| "Register" | the register of Shareholders of the Company |
| "Registrar" | Yealand Fund Services Limited, or such other entity as is appointed to act as Registrar to the Company from time to time |
| "Regulations" | the OEIC Regulations and the FCA Handbook (including the COLL Sourcebook) |
| "Scheme Property" | the scheme property of the Company or a Sub-fund (as appropriate) required under the COLL Sourcebook to be given for safekeeping to the Depositary |
| "SDRT" | stamp duty reserve tax |

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| “Share” or “Shares” | a share or shares in the Company (including larger denomination shares, and smaller denomination shares equivalent to one ten thousandth of a larger denomination share) |
| “Shareholder” | a holder of registered Shares in the Company |
| “Sub-Custodian” | CACEIS Bank, UK Branch |
| “Sub- fund” or “Sub-funds” | a sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund |
| “Switch” | the exchange where permissible of Shares of one Class or Sub-fund for Shares of another Class or Sub-fund |
| “UCITS” | Undertaking for Collective Investment in Transferable Securities. This will include a UCITS Scheme or an EEA UCITS scheme, as defined in the FCA rules |
| “UCITS Directive” | EU Council Directive 2009/65/EC dated 13 July 2009 as may from time to time be amended |
| “UCITS Scheme” | a UK UCITS |
| “UK” | the United Kingdom of Great Britain and Northern Ireland |
| “UK AIF” | an alternative investment fund within the scope of the UK AIFM Rules and as defined in the FCA Rules |
| “UK AIFM” | an alternative investment fund manager established in the UK and with a Part 4A permission to carry on the regulated activity of managing an alternative investment fund |
| “UK AIFM Rules” | the FUND Sourcebook, other rules in the FCA Handbook which when made implemented AIFMD, the AIFMD Level 2 Regulation and the AIFMD UK Regulation |
| “UK UCITS” | in accordance with sections 236A and 237 of the Financial Services and Markets Act 2000, a collective investment scheme which may consist of several sub-funds, which is either an authorised unit trust scheme, an authorised contractual scheme, or an authorised open-ended investment company, and has identified itself as a UCITS in its prospectus and has been authorised accordingly by the FCA |
| “United States” or “US” | the United States of America, its territories and possessions, any state of the United States, and the District of Columbia |

"US Persons"

a person as described in any of the following paragraphs:

1. With respect to any person, any individual or entity that would be a US Person under Regulation S of the 1933 Act. The Regulation S definition is set out below. Even if you are not considered a US Person under Regulation S, you can still be considered a "US Person" within the meaning of this Prospectus under Paragraphs 2, 3 and 4, below;
2. With respect to any person, any individual or entity that would be excluded from the definition of "Non-United States person" in Commodity Futures Trading Commission ("CFTC") Rule 4.7. The definition of "Non-United States person" is set out below;
3. With respect to individuals, any US citizen or "resident alien" within the meaning of US income tax laws as in effect from time to time. Currently, the term "resident alien" is defined under US income tax laws; or
4. With respect to persons other than individuals, (i) a corporation or partnership created or organised in the United States or under the law of the United States or any state, (ii) a trust where (a) a US court is able to exercise primary supervision over the administration of the trust and (b) one or more US persons have the authority to control all substantial decisions of the trust and (iii) an estate which is subject to US tax on its worldwide income from all sources

Regulation S definition of US Person

1. Pursuant to Regulation S of the 1933 Act, "US Person" means:
 - (i) any natural person resident in the United States;
 - (ii) any partnership or corporation organised or incorporated under the laws of the United States;
 - (iii) any estate of which any executor or administrator is a US person;
 - (iv) any trust of which any trustee is a US person;
 - (v) any agency or branch of a foreign entity located in the United States;

- (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US Person;
 - (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; or
 - (viii) any partnership or corporation if:
 - (A) organised or incorporated under the laws of any non-US jurisdiction; and
 - (B) formed by a US Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the 1933 Act) who are not natural persons, estates or trusts;
2. Notwithstanding (1) above, any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States shall not be deemed a "US Person";
 3. Notwithstanding (1) above, any estate of which any professional fiduciary acting as executor or administrator is a US Person shall not be deemed a "US Person" if:
 - i) an executor or administrator of the estate who is not a US Person has sole or shared investment discretion with respect to the assets of the estate; and
 - ii) the estate is governed by non-US law;
 4. Notwithstanding (1) above, any trust of which any professional fiduciary acting as trustee is a US Person shall not be deemed a "US Person" if a trustee who is not a US Person has sole or shared investment discretion with respect to the trust assets, and no beneficiary

of the trust (and no settlor if the trust is revocable) is a US Person;

5. Notwithstanding (1) above, an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country shall not be deemed a "US Person";
6. Notwithstanding (1) above, any agency or branch of a US Person located outside the United States shall not be deemed a "US Person" if:
 - i) the agency or branch operates for valid business reasons; and
 - ii) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located;
7. The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organisations, their agencies, affiliates and pension plans shall not be deemed "US Persons".

The ACD may amend the definition of "US Person" without notice to Shareholders as necessary in order best to reflect then-current applicable US law and regulation. Contact your investment adviser for a list of persons or entities that are deemed to be "US Persons"

"Non-United States persons" definition

CFTC Rule 4.7 currently provides that the following persons are considered "Non-United States persons":

1. a natural person who is not a resident of the United States or an enclave of the US government, its agencies or instrumentalities;
2. a partnership, corporation or other entity, other than an entity organised principally for passive investment, organised under the laws of a non-US jurisdiction and which has its principal place of business in a non-US jurisdiction;

3. an estate or trust, the income of which is not subject to US income tax regardless of source;
4. an entity organised principally for passive investment such as a pool, investment company or other similar entity, provided, that shares of participation in the entity held by persons who do not qualify as Non-United States persons or otherwise as qualified eligible persons (as defined in CFTC Rule 4.7(a)(2) or (3)) represent in the aggregate less than ten per cent. of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being Non-United States persons; and
5. a pension plan for the employees, officers or principals of an entity organised and with its principal place of business outside the United States

“Valuation Point”

the point on a Dealing Day whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Sub-fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The current Valuation Point is 12pm London time on each Dealing Day

“VAT”

value added tax

“1933 Act”

the United States Securities Act of 1933 (as may be amended or re-enacted); and

“1940 Act”

the United States Investment Company Act of 1940 (as may be amended or re-enacted).

2. DETAILS OF THE COMPANY

2.1 General information

2.1.1 General

YFS Kernow Investment Funds ICVC is an umbrella investment company with variable capital incorporated in England and Wales. The Company’s registered number is IC066148 and the Financial Conduct Authority (FCA)’s product reference number, for the Company, is 970352.

The Company was authorised and regulated by the Financial Conduct Authority with effect from 21 February 2022 and with a launch date of 1 April 2022. The Company has an unlimited duration.

Shareholders are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after they have paid the price on purchase of the Shares.

The ACD is also the authorised fund manager of other regulated collective investment schemes. Details of these schemes are set out in Appendix IV.

2.1.2 Head Office

The head office of the Company is at Fountain Suite B, Lynch Wood Park, Peterborough, Cambridgeshire PE2 6FZ.

2.1.3 Address for Service

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

2.1.4 Base Currency

The base currency of the Company and each Sub-fund is Pounds Sterling.

2.1.5 Share Capital

Maximum £100,000,000,000

Minimum £1

Shares have no par value. The share capital of the Company at all times equals the sum of the Net Asset Values of each of the Sub-funds.

2.2 The structure of the Company

2.2.1 The Sub-funds

The Company is structured as an umbrella company, in that different Sub-funds may be established from time to time by the ACD with the approval of the FCA. On the introduction of any new Sub-fund or Class, a revised prospectus will be prepared setting out the relevant details of each Sub-fund or Class.

The Company is a non-UCITS retail scheme and a UK AIF for the purposes of the UK AIFM Rules.

Details of the Sub-funds, including their investment objectives and policies, are set out in Appendix I. Currently there is just one Sub-fund available, YFS Kernow Equity Navigator Fund.

The Company is a collective investment scheme in which each investor's funds are pooled with all other investors' funds. The ACD takes reasonable steps to ensure that each investment transaction carried out within the Company is suitable for the Company, having regard to the investment objective and policy of the Company.

This Prospectus is intended to provide information about the Company to potential investors.

The assets of each Sub-fund will be treated as separate from those of every other Sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that Sub-fund. Investment of the assets of each of

the Sub-funds must comply with the COLL Sourcebook and the investment objective and policy of the relevant Sub-fund.

The eligible securities markets and eligible derivatives markets on which the Sub-funds may invest are set out in Appendix II. A detailed statement of the general investment and borrowing restrictions of each Sub-fund, and any limitation of that investment policy, is set out in Appendix III.

Each Sub-fund has a specific portfolio to which that Sub-fund's assets and liabilities are attributable. So far as the Shareholders are concerned, each Sub-fund is treated as a separate entity. Refer to the paragraph 'Liabilities of the Company' below for further details.

An explanation of the investor profile and historical performance figures for the Company are set out in Appendix V.

The circumstance in which the Company may be wound up is set out in paragraph 10 below.

2.2.2 **Shares**

Classes of Share within the Sub-funds

Shares will be issued in larger and smaller denominations. There are 10,000 smaller denomination Shares to each larger denomination Share. Smaller denomination Shares represent what, in other terms, might be called fractions of a larger Share and have proportionate rights.

Shares have no par value and, within each Class in each Sub-fund subject to their denomination, are entitled to participate equally in the profits arising in respect of, and in the proceeds of, the liquidation of the Company or termination of a relevant Sub-fund. Shares do not carry preferential or pre-emptive rights to acquire further Shares.

Further Classes of Share may be established from time to time by the ACD with the agreement of the Depositary and in accordance with the Instrument of Incorporation and the Regulations. On the introduction of any new Sub-fund or Class, either a revised prospectus or a supplemental prospectus will be prepared, setting out the details of Sub-fund or each Class.

The currency in which each new Class of Shares will be denominated will be determined at the date of creation and set out in the Prospectus issued in respect of the new Class of Shares.

The net proceeds from subscriptions to a Sub-fund will be invested in the specific pool of assets constituting that Sub-fund. The Company will maintain for each current Sub-fund a separate pool of assets, each invested for the exclusive benefit of the relevant Sub-fund. Accordingly, the assets of each Sub-fund belong exclusively to that Sub-fund and shall not be used to discharge directly, of indirectly, the liabilities of, or claims against, any other person, or body, including the Company, or any other Sub-fund, and shall not be available for that purpose. Any liabilities, expenses, costs or charges which are not attributable to one Sub-fund only, and allocated in accordance with the FCA Rules, may be re-allocated by the ACD provided that such re-allocation shall be done in a manner which is fair to the Shareholders of the Company generally.

The Company may issue income and accumulation Shares in respect of each Sub-fund. Further details of the Shares presently available for each Sub-fund, including details of their criteria for subscription and fee structure, are set out in Appendix I.

Shares in the Company are not listed, or dealt in, on any investment exchange.

Holders of income Shares are entitled to be paid the distributable income attributed to such Shares on any relevant interim and annual allocation dates.

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

The Instrument of Incorporation allows income and accumulation Shares to be issued.

Where a Sub-fund has different Classes, each Class may attract different charges and so monies may be deducted from the Scheme Property attributable to such Classes in unequal proportions. In these circumstances, the proportionate interests of the Classes within a Sub-fund will be adjusted accordingly.

Shareholders are entitled (subject to certain restrictions) to Switch all or part of their Shares in a Class or a Sub-fund for Shares of another Class within the same Sub-fund or for Shares of the same or another Class within a different Sub-fund of the Company. Details of this switching facility and the restrictions are set out in paragraph 3.4 "Switching".

3 BUYING, REDEEMING AND SWITCHING SHARES

The dealing office of the ACD is normally open from 9.00 a.m. to 5.00 p.m. (London time) on each Business Day to receive postal requests for the purchase, sale and switching of Shares. The ACD may vary these times at its discretion. Requests to deal in Shares may also be made by obtaining an application form by telephoning on each Business Day (at the ACD's discretion) between 9.00 a.m. and 5.00 p.m. (London time) the ACD's Customer Enquiry Line on 0345 850 0255 or such other number as published from time to time. The initial purchase must, at the discretion of the ACD, be accompanied by an application form.

The ACD may also, at its discretion, introduce further methods of dealing in Shares in the future.

In its dealings in Shares of the Sub-funds the ACD is dealing as principal. The ACD does not actively seek to make a profit from dealing in Shares as principal but does so in order to facilitate the efficient management of the Company. Any profits would be returned to the Sub-fund.

3.1 Money Laundering

As a result of legislation in force in the UK to prevent money laundering, the ACD is responsible for compliance with anti money laundering regulations. In order to implement these regulations, in certain circumstances investors may be asked to provide proof of identity when buying or redeeming Shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to issue Shares, pay the proceeds of a redemption of Shares, or pay income on Shares to the investor.

Refer to the paragraph 15.9 'Electronic verification' for more detail.

Where an applicant is not willing, or is unable, to provide the information requested within a reasonable period in the case of a purchase of Shares, the ACD reserves the right to sell the Shares purchased and return the proceeds to the account from which the subscription was made. These proceeds may be less than the original investment.

3.2 Buying Shares

3.1.1 Procedure

Shares may be bought directly from the ACD or through a professional adviser or other intermediary. For details of dealing charges see paragraph 3.5 below. Application forms may be obtained from Yealand Fund Services Limited at the dealing office of the Registrar.

A request for dealing in Shares must be received by the Dealing Cut-Off in order to be processed at the Share price calculated, based on the Net Asset Value per Share, at the applicable Valuation Point. A dealing request received after this time will be held over and processed on the next applicable Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that Dealing Day, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.10.

Settlement is due within 3 Business Days of the Valuation Point, unless otherwise agreed with the ACD.

The ACD, at its discretion, has the right to cancel a purchase deal if settlement is materially overdue (being more than five Business Days of receipt of an application form or other instruction) and any loss arising on such cancellation shall be the liability of the applicant. The ACD is not obliged to issue Shares unless it has received cleared funds from an investor.

The ACD reserves the right to charge interest at 4% above the prevailing Bank of England base rate, on the value of any settlement received later than the 4th Business Day following the Valuation Point. No interest will be paid on funds held prior to investment. Shares that have not been paid for cannot be redeemed.

A purchase of Shares in writing or by telephone is a legally binding contract. Applications to purchase, once made are, except in the case where cancellation rights are applied, irrevocable. For postal applications payment in full must accompany the instruction. At the ACD's discretion, payment for large purchases of Shares may be made by telegraphic transfer.

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

Any subscription monies remaining after a whole number of Shares have been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to ten thousandth of a larger denomination Share.

Applicants who have received advice may have the right to cancel their application to buy Shares at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an applicant decides to cancel the contract, and the value of the investment has fallen at the time the ACD 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.

3.1.2 Documents the buyer will receive

A confirmation giving details of the number and price of Shares bought will be issued no later than the end of the Business Day following the Valuation Point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Registration of Shares can only be completed by the ACD upon receipt of any required registration details. These details may be supplied in writing to the ACD or by returning to the ACD the properly completed registration form and copy of the confirmation.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Register. Tax vouchers in respect of periodic distributions on Shares will show the number of Shares held by the recipient.

3.2.3 Minimum subscriptions and holdings

The minimum initial subscriptions, subsequent subscriptions and holdings levels for each Class of Share in a Sub-fund are set out in Appendix I.

The ACD may at its sole discretion accept subscriptions and/or holdings lower than the minimum amount(s).

If following a redemption, Switch or transfer, a holding in any Class of Share should fall below the minimum holding for that Class, the ACD has the discretion to effect a redemption of that Shareholder's entire holding in that Class of Share. The ACD may use this discretion at any time. Failure not to do so immediately after such redemption, Switch or transfer does not remove this right.

3.3 Redeeming Shares

3.3.1 Procedure

Every Shareholder is entitled on any Dealing Day to redeem its Shares, which shall be purchased by the ACD dealing as principal. A request for redemption of Shares must be received by the Dealing Cut-Off in order to be processed at the Share price calculated, based on the Net Asset Value per Share, at the applicable Valuation Point. A dealing request received after this time will be held over and processed on the next applicable Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that Dealing Day, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.10.

Valid instructions to the ACD to redeem Shares in a Sub-fund will be processed at the Share price calculated, based on the Net Asset Value per Share, at the next Valuation Point following receipt of the instruction, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.10.

A redemption instruction in respect of Shares in writing or by telephone is a legally binding contract.

However, an instruction to the ACD to redeem Shares, although irrevocable, may not be settled by either the Company or the ACD if the redemption represents Shares where the money due on the earlier purchase of those Shares has not yet

been received or if insufficient documentation or AML information has been received by the ACD. Further details of the ACD's money laundering procedures are set out under the paragraph 15.9 headed 'Electronic Verification'.

For details of dealing charges see paragraph 3.5 below.

3.3.2 **Documents a redeeming Shareholder will receive**

A confirmation giving details of the number and price of Shares redeemed will be sent to the redeeming Shareholder (or the first named Shareholder, in the case of joint Shareholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the Shareholder (or, in the case of a joint holding, by all the joint Shareholders) no later than the end of the Business Day following the later of the request to redeem Shares or the Valuation Point by reference to which the price is determined.

Payment of redemption proceeds will normally be made to the first named Shareholder (at their risk) via telegraphic transfer in accordance with any instruction received (the ACD may recover any bank charge levied on such transfers). Instructions to make payments to third parties (other than intermediaries associated with the redemption) will not normally be accepted.

Such payment will be made within 3 Business Days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed and completed by all the relevant Shareholders together with any other documentation and appropriate evidence of title, any required AML related documentation, and (b) the Valuation Point following receipt by the ACD of the request to redeem.

3.3.3 **Minimum redemption**

Part of a Shareholder's holding may be redeemed but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Sub-fund to be redeemed is less than the minimum stated in respect of the appropriate Class in the Sub-fund in question (see Appendix I).

3.4 **Switching**

Subject to any restrictions on the eligibility of investors for a particular Share Class, a Shareholder in a Sub-fund may at any time Switch all or some of their Shares of one Class or Sub-fund ("the Original Shares") for Shares of another Class or Sub-fund ("the New Shares") in the Company. The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued.

Shareholders are required to provide written instructions to the ACD (which, in the case of joint Shareholders, must be signed by all the joint Shareholders) before switching is effected.

The ACD may at its discretion make a charge on the switching of Shares between Sub-funds or Classes. Any such charge on switching does not constitute a separate charge payable by a Shareholder, but is rather the application of any redemption charge on the Original Shares and any preliminary charge on the New Shares, subject to certain waivers. For details of the charges on switching currently payable, please see paragraph 3.5.3 "Charges on Switching".

If a partial Switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares (and make a charge on switching on such conversion) or refuse to effect any Switch of the Original Shares. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a Switch. Written instructions must be received by the ACD before the Valuation Point on a Dealing Day in the Sub-fund or Sub-funds concerned to be dealt with at the prices at the Valuation Point on that Dealing Day or at such other Valuation Point as the ACD at the request of the Shareholder giving the relevant instruction may agree. Switching requests received after a Valuation Point will be held over until the next day which is a Dealing Day in each of the relevant Sub-fund or Sub-funds.

The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

Please note that under UK tax law a Switch of Shares in one Sub-fund for Shares in any other Sub-fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to taxation, be a disposal of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending upon the Shareholder's circumstances.

A Shareholder who Switches Shares in one Sub-fund for Shares in any other Sub-fund (or who Switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.

The ACD may also, in its sole discretion, convert some or all of the Original Shares held by any shareholder to New Shares of another Class, provided that the conversion does not materially prejudice any such Shareholder. The ACD will provide the Shareholder with 60 days' prior notice of any such conversion.

3.5 **Dealing Charges**

The price per Share at which Shares are bought, redeemed or switched is the Net Asset Value per Share. Any preliminary charge or redemption charge, (or dilution levy or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

3.5.1 **Preliminary Charge**

The ACD may impose a charge on the purchase of Shares in each Class. The current preliminary charge is calculated as a percentage of the amount invested by a potential Shareholder in respect of each Sub-fund as set out in Appendix I. The ACD may waive or discount the preliminary charge at its discretion.

The preliminary charge (which is deducted from subscription monies) is payable by the Shareholder to the ACD.

The current preliminary charge of a Class may only be increased in accordance with the Regulations.

From the initial preliminary received, or out of its other resources, the ACD may

pay a commission to relevant intermediaries including the Investment Manager and its Associates.

3.5.2 Redemption Charge

The ACD may make a charge on the redemption of Shares in each Class. At present, no redemption charge is levied.

The ACD may only introduce a redemption charge in accordance with the Regulations. Also, if such a charge was introduced, it would not apply to Shares issued before the date of the introduction (i.e., those not previously subject to a redemption charge).

3.5.3 Charges on Switching

On the switching of Shares between Sub-funds or Classes in the Company the Instrument of Incorporation authorises the Company to impose a charge on switching.

The ACD's current policy is to only levy a charge on switching between Sub-funds that is no more than the excess of the preliminary charge applicable to New Shares over the preliminary charge applicable to the Original Shares. There is currently no charge for switching Shares in one Class of a Sub-fund for Shares in another Class of the same Sub-fund, nor a charge on switching between Sub-funds.

3.5.4 Dilution Adjustment (Swinging Single Price)

The actual cost of purchasing, selling or switching underlying investments in a Sub-fund may deviate from the mid-market value used in calculating its Share price, due to dealing charges, taxes, and any spread between buying and selling prices of the Sub-fund's underlying investments. These dealing costs could have an adverse effect on the value of a Sub-fund, known as "dilution".

In order to mitigate the effect of dilution COLL allows the ACD to adjust the sale and purchase price of units in the Sub-fund to take into account the possible effects of dilution. This practice is known as making a "dilution adjustment" or operating swinging single pricing. The power to make a dilution adjustment may only be exercised for the purpose of reducing dilution in the Sub-fund.

The ACD reserves the right to make a dilution adjustment every day. The dilution adjustment is calculated using the estimated dealing costs of the Sub-fund's underlying investments and taking into consideration any dealing spreads, commission and transfer taxes. The need to make a dilution adjustment will depend on the difference between the value of units being acquired and the value of units being redeemed as a proportion of the total value of that Sub-fund. The measurement period will typically be a single day but, where a trend develops so that for a number of days in a row there is a surplus of acquisitions or redemptions on each and every day, the aggregate effect of such acquisitions or redemptions as a proportion of the total relevant Sub-fund's value may be taken into account.

Where a Sub-fund is experiencing net acquisitions of its units the dilution adjustment would increase the price of units above their mid-market value. Where a Sub-fund is experiencing net redemptions the dilution adjustment would decrease the price of units to below their mid-market value.

It is the ACD's policy to reserve the right to impose a dilution adjustment on purchases, sales and switches of units of whatever size and whenever made. In the

event that a dilution adjustment is made it will be applied to all transactions in a Sub-fund during the relevant measurement period and all transactions during the relevant measurement period will be dealt on the same price inclusive of the dilution adjustment. The ACD's decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

On the occasions when a dilution adjustment is not applied, if a Sub-fund is experiencing net acquisitions of units or net redemptions, there may be an adverse impact on the assets of that Sub-fund attributable to each underlying unit, although the ACD does not consider this likely to be material in relation to the potential future growth in the value of a unit. As dilution is directly related to the inflows and outflows of monies from a Sub-fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make a dilution adjustment.

The dilution adjustment will be applied to the mid-price for units resulting in a figure calculated up to at least four decimal places. The final digit in this figure will then be rounded either up or down in accordance with standard mathematical principles resulting in the final price for the units.

The price of each Class of unit in each Sub-fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of units of each Class identically.

If a dilution adjustment is required then, based on future projections, the estimated rate of such an adjustment for the YFS Kernow Equity Navigator Fund would be up to 2%.

The ACD may alter its current dilution policy in accordance with the procedure set out in the Regulations.

3.6 Transfers

Shareholders are entitled to transfer their Shares to another person or body, subject to that person or body meeting any restrictions on the eligibility of investors for the particular Share Class. All transfers must be in writing in the form of an instrument of transfer approved by the ACD for this purpose. Completed instruments of transfer must be returned to the ACD in order for the transfer to be registered by the ACD. The ACD may refuse to register a transfer unless any provision for SDRT due has been paid.

3.7 Restrictions and Compulsory Transfer and Redemption

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or which would result in the Company incurring any liability to taxation which the Company is not able to recoup itself or suffering any other adverse consequence. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, redemption, transfer or switching of Shares.

If it comes to the notice of the ACD that any Shares (“affected Shares”):

- 3.7.1 are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- 3.7.2 would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself (including withholding tax of any nature) or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); or
 - 3.7.2.1 are held in any manner by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case;
 - 3.7.2.2 are owned by a Shareholder who is registered in a jurisdiction (where the Company is not registered or recognised by the relevant competent authority) whereby communication with that Shareholder by the ACD, on behalf of the Company, might constitute a breach of the regulations in that jurisdiction (unless specific action is taken by the ACD to prevent such a communication constituting a breach);

the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares in accordance with the COLL Sourcebook. If any Shareholder upon whom such a notice is served does not within 30 days after the date of such notice transfer his affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiry of that 30 day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares.

A Shareholder who becomes aware that he is holding or owns affected Shares shall immediately, unless he has already received a notice as set out above, either transfer all his affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all his affected Shares.

Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will (if effected) be effected in the same manner as provided for in the COLL Sourcebook.

3.8 **Issue of Shares in exchange for in specie assets**

The ACD may arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the Depositary has taken reasonable care to determine that the Company’s acquisition of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in any Sub-fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Sub-fund.

3.9 In specie redemptions

If a Shareholder requests the redemption of Shares the ACD may, where it considers that deal to be substantial in relation to the total size of a Sub-fund or in some way detrimental to a Sub-fund, arrange for Scheme Property having the appropriate value to be transferred to the Shareholder (an 'in specie transfer'), in place of payment for the Shares in cash. Before the redemption is effected, the ACD must give written notice to the Shareholder of the intention to make an in specie transfer.

The ACD will select the property to be transferred in consultation with the Depositary. The ACD and Depositary must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the redemption than to the continuing Shareholders.

3.10 Suspension of dealings in the Company

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

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

The ACD or the Depositary (as appropriate) will immediately inform the FCA of the suspension and the reasons for it and will follow this up as soon as practicable with written confirmation of the suspension and the reasons for it to the FCA.

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

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

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

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

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

3.11 **Governing law**

All deals in Shares are governed by the law of England and Wales.

4 VALUATION OF THE COMPANY

4.1 **General**

The price of a Share is calculated by reference to the Net Asset Value of the Sub-fund to which it relates. The Net Asset Value per Share of a Sub-fund is currently calculated at 12pm (London time) (this being the Valuation Point) on each Dealing Day.

The ACD may at any time during a Business Day carry out an additional valuation if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out any such additional valuation. Valuations may be carried out for effecting a scheme of arrangement which do not create a Valuation Point for the purposes of dealings. Where permitted and subject to the Regulations, the ACD may, in certain circumstances (for example where a significant event has occurred since the closure of a market) substitute a price with a more appropriate price which in its opinion reflects a fair and reasonable price for that investment.

The ACD will, upon completion of each valuation, notify the Depositary of the price of Shares, of each Class of each Sub-fund applicable in respect of any purchase or redemption of Shares.

A request for dealing in Shares must be received by the Dealing Cut-Off in order to be processed at the Share price calculated, based on the Net Asset Value per Share, at the applicable Valuation Point. A dealing request received after this time will be held over and processed on the next applicable Dealing Day, using the Net Asset Value per Share calculated as at the Valuation Point on that Dealing Day, except in the case where dealing in a Sub-fund has been suspended as set out in paragraph 3.10.

4.2 **Calculation of the Net Asset Value**

The value of the Scheme Property shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions:

4.2.1 All the Scheme Property (including receivables) is to be included, subject to the following provisions.

4.2.2 Scheme Property which is not cash (or other assets dealt with in paragraph 4.2.3 and 4.2.4 below) shall be valued as follows and the prices used shall (subject as follows) be the most recent prices which it is practicable to obtain:

4.2.2.1 Units or shares in a collective investment scheme:

4.2.2.1.1 if a single price for buying and selling units or shares is quoted, at that price; or

4.2.2.1.2 if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any preliminary charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or

- 4.2.2.1.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.2 Any other investment:
 - 4.2.2.2.1 if a single price for buying and selling the security is quoted, at that price; or
 - 4.2.2.2.2 if separate buying and selling prices are quoted, at the average of the two prices (i.e. the mid price); or
 - 4.2.2.2.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the security, at a value which, in the opinion of the ACD, is fair and reasonable;
- 4.2.2.3 Scheme Property other than that described in paragraphs 4.2.2.1, 4.2.2.2 and 4.2.2.2 above, at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price;
- 4.2.3 Cash and amounts held in current, deposit and margin accounts and in other time related deposits shall be valued at their nominal values.
- 4.2.4 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed unless the contrary is shown to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument of Incorporation shall be assumed (unless the contrary has been shown) to have been taken.
- 4.2.5 Subject to paragraphs 4.2.6 and 4.2.7 below, agreements for the unconditional sale or purchase of Scheme Property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and if, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 4.2.6 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 4.2.5.
- 4.2.7 All agreements are to be included under paragraph 4.2.5 which are, or ought reasonably to have been, known to the person valuing the Scheme Property assuming that all other persons in the ACD's employment take all reasonable steps to inform it immediately of the making of any agreement.
- 4.2.8 Deduct an estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the Scheme Property; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) including (as applicable and without limitation) capital gains tax, income tax, corporation tax, VAT, stamp duty and SDRT.

- 4.2.9 Deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax or duty thereon, treating periodic items as accruing from day to day.
- 4.2.10 Deduct the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings.
- 4.2.11 Add an estimated amount for accrued claims for tax of whatever nature which may be recoverable.
- 4.2.12 Add any other credits or amounts due to be paid into the Scheme Property.
- 4.2.13 Add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any SDRT provision anticipated to be received.
- 4.2.14 Currencies or values in currencies other than the base currency or (as the case may be) the designated currency of a Sub-fund shall be converted at the relevant Valuation Point at a rate of exchange that is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

4.3 **Price per Share in each Sub-fund and each Class**

The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. Any preliminary charge or redemption charge, (or dilution levy or SDRT on a specific deal, if applicable) is payable in addition to the price or deducted from the proceeds and is taken from the gross subscription or redemption monies.

Each allocation of income made in respect of any Sub-fund at a time when more than one Class is in issue in respect of that Sub-fund shall be done by reference to the relevant Shareholder's proportionate interest in the income property of the Sub-fund in question calculated in accordance with the Instrument of Incorporation.

4.4 **Fair value pricing**

4.4.1 Where the ACD has reasonable grounds to believe that:

- 4.4.1.1 no reliable price exists for a security (including a unit/share in a collective investment scheme) at a Valuation Point; or
- 4.4.1.2 the most recent price available does not reflect the ACD's best estimate of the value of the security (including a unit/share in a collective investment scheme) at the Valuation Point; then
- 4.4.1.3 it can value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment (the fair value price).

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

- 4.4.2.1 no recent trade in the security concerned; or
- 4.4.2.2 suspension of dealings in the security concerned; or
- 4.4.2.3 the occurrence of a significant event since the most recent closure of the market where the price of the security is taken.

4.4.3 In determining whether to use such a fair value price, the ACD will include in their consideration but need not be limited to:

- 4.4.3.1 the type of authorised fund concerned;
- 4.4.3.2 the securities involved;
- 4.4.3.3 whether the underlying collective investment schemes may already have applied fair value pricing;
- 4.4.3.4 the basis and reliability of the alternative price used; and
- 4.4.3.5 the ACD's policy on the valuation of Scheme Property as disclosed in this Prospectus.

4.5 Pricing basis

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

Shares in the Company are single priced.

Prices of Shares in the Sub-funds are expressed in Pounds Sterling.

4.6 Publication of Prices

The most recent prices of all Shares will appear daily on our website at <https://yealand.com/funds/> and can also be obtained by calling 0345 8500255 during the ACD's normal business hours.

For reasons beyond the control of the ACD, these may not necessarily be the current prices.

The cancellation price last notified to the Depositary is available from the ACD on request.

5 RISK FACTORS

Potential investors should consider the following risk factors before investing in the Company.

5.1 General

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Company. There is no certainty that the investment objective of the Sub-funds will actually be achieved and no warranty or representation is given to this effect. The level of any yield for a Sub-fund may be subject to fluctuations and is not guaranteed.

The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily invested in that asset class or region. There will be a variation in performance between funds with similar objectives due to the different assets selected.

5.2 **Effect of Preliminary charge or Redemption Charge**

Where a preliminary charge or redemption charge is imposed, an investor who realises his Shares may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

In particular, where a redemption charge is payable, investors should note that the percentage rate at which the redemption charge is calculated is based on the market value rather than the initial value of the Shares. If the market value of the Shares has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on Shares.

The Shares therefore should be viewed as medium to long term investments.

5.3 **Charges to Capital**

Where there is not enough income available to pay fees and expenses, all or part of the such fees may instead be charged against capital instead of against income. The treatment of the ACD's fee may increase the amount of income (which may be taxable) available for distribution to Shareholders but may constrain capital growth.

5.4 **Suspension of Dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended.

5.5 **Liabilities of the Company**

As the Company is an umbrella company, each Sub-fund has a specific segregated portfolio of assets to which any liabilities attributable, or allocated, to a particular Sub-fund shall be met first out of the property attributable, or allocated to, that particular Sub-fund. Accordingly, the assets of each Sub-fund belong exclusively to that Sub-fund and shall not be used to discharge directly, or indirectly, the liabilities of, or claims against, any other person, or body, including the Company, or any other Sub-fund, and shall not be available for any such purpose.

Subject to the above, each Sub-fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Sub-fund, and within each Sub-fund charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Sub-fund and allocated in accordance with the FCA Rules may be re-allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Sub-funds. In the event that any assets are so reallocated, the ACD will advise Shareholders in the next succeeding annual or half yearly report to Shareholders.

While provisions of the OEIC Regulations provide for segregated liabilities between Sub-funds, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts, or under foreign law contracts, it is not known how those foreign courts will react to Regulations 11A and 11B of the OEIC Regulations.

5.6 **Currency Exchange Rates**

Currency fluctuations may adversely affect the value of investments and the income thereon and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

5.7 **Derivatives**

Some Sub-funds may, in accordance with their investment policy, invest in financial derivative instruments including but not limited to options including single security, currency, basket and index calls and puts; single security, equity index; contract for differences (CFDs); single currency swaps; total return swaps, warrants, currency forwards and participatory notes.

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

Derivatives also involve specific risks. These risks relate specifically to market risks, management risk, counterparty risk, liquidity risk, the risk of mispricing or improper valuation of derivatives and the risk that derivatives may not correlate perfectly with underlying assets, interest rates and indices.

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

Market Risk

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

Liquidity Risk

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

Counterparty Risk

A Sub-fund may enter into transactions in OTC markets, which will expose the Sub-funds to the credit of their counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, the Sub-funds could experience delays in liquidating the position and significant losses,

including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative transactions may be terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated.

Leverage Risk

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

Other Risks

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

Risks associated with OTC Derivatives

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

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

Risks associated with the Control and Monitoring of Derivatives

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

In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to a Sub-fund and the ability to forecast the relative price, interest rate or currency rate movements correctly.

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

5.8 **Derivatives for EPM**

The Investment Manager may also employ derivatives for the purposes of hedging with the aim of reducing the risk profile of the Sub-funds, or reducing costs, or generating additional capital or income, in accordance with Efficient Portfolio Management ("EPM").

To the extent that derivative instruments are utilised for hedging purposes, the risk of loss to the Sub-fund may be increased where the value of the derivative instrument and the value of the security or position which it is hedging are insufficiently correlated.

For more information in relation to investment in derivatives please see paragraph 9 in Appendix III.

5.9 **Custody**

There may be a risk of a loss where the assets of a Sub-fund are held by the custodian or the Sub-custodian that could result from the insolvency, negligence or fraudulent action of the custodian or the Sub-custodian.

5.10 **Taxation**

Tax laws currently in place may change in the future which could affect the value of your investments. See the section headed 'Taxation' for further details about taxation of the Sub-fund(s).

5.11 **Inflation and Interest Rates**

The real value of any returns that an investor may receive from a Sub-fund could be affected by interest rates and inflation over time.

5.12 **Counterparty and Settlement**

Each Sub-fund will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default.

5.13 **Performance Fee**

A performance fee will be paid to the Investment Manager on the basis of performance of the YFS Kernow Equity Navigator Fund. In accordance with COLL 6.7.6AR, the performance fee will be calculated on the basis of the Fund's performance after deduction of all other payments out of the scheme property of the Fund property. Further, the performance fee is based on net realised and net unrealised gains and losses as at the end of each performance period and as a result, performance fees may be paid on unrealised gains which may subsequently never be realised.

Performance fee equalisation ensures that any performance fee is charged only to those shares which have appreciated in value, that all Shareholders of the same Class have the same amount per share at risk and that all Shares within the same Class have the same Net Asset Value per Share. The lack of performance fee equalisation in this Fund may mean that, in certain circumstances, some Shareholders may pay a higher or lower performance fee than they should, based on the performance of their Shares.

Collateral management

- (a) In the event of a counterparty default or operational difficulty, securities that are loaned out may not be returned or returned in a timely manner. Should the borrower of securities fail to return the securities lent by a Sub-fund, there is a risk that the collateral received on such transactions may have a market value lower than that of the securities lent, whether due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, a deterioration in the credit rating of the issuer of the collateral, or the illiquidity of the market in which the collateral is traded. Delays in the return of securities on loan might restrict the Sub-funds ability to complete the sale of securities or to meet redemption requests. A default by the counterparty combined with a fall in the market value of the collateral below that of the value of the securities lent, may result in a reduction in the value of a Sub-fund.
- (b) Collateral received will be held within a safekeeping account at the Depositary or Sub-Custodian or prime broker. The Sub-funds will be exposed to the risk of the Depositary not being able to fully meet its obligation to return the collateral in the event of the insolvency, negligence or fraudulent action of the Depositary, prime broker, Sub-Custodian or a sub-sub-custodian.

5.14 Counterparty risk in over-the-counter markets

The Company on behalf of a Sub-fund may enter into transactions in over-the-counter markets, which will expose the relevant Sub-fund to the credit of its counterparties and their ability to satisfy the terms of such contracts. For example, the Company on behalf of the Sub-fund may enter into agreements or use other derivative techniques, each of which expose the relevant Sub-fund to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of a bankruptcy or insolvency of a counterparty, the Sub-fund could experience delays in liquidating the position and significant losses, including declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques are terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated. In such circumstances, investors may be unable to cover any losses incurred.

5.15 Liquidity risk

Depending on the types of assets that each Sub-fund invests in there may be occasions where there is an increased risk that a position cannot be liquidated in a timely manner at a reasonable price. This risk generally increases as the market capitalisation of the underlying assets decreases.

5.16 Market risk

Each Sub-fund will be diversified, however, the underlying investments of a Sub-fund are subject to normal market fluctuations and to the risks inherent in investment in equities and equity related securities.

5.17 **Geographical/Sector:**

Significant exposure to a particular industrial sector or geographical region puts a Sub-fund at risk of a localised event making a significant impact to the value of the Sub-fund.

5.18 **Non-UCITS retail schemes**

Such funds can have wider investment and borrowing powers than UCITS Schemes with higher investment limits in various areas. They can also invest to a greater extent in areas such as property and unregulated schemes and have the option to borrow on a permanent basis. Such additional powers can increase potential reward, but may also increase risk.

6 MANAGEMENT AND ADMINISTRATION

6.1 **Regulatory Status**

The ACD and the Investment Manager are authorised and regulated by the FCA. The address for the FCA is set out in Appendix VI.

The authorisation and regulatory status of the Depositary is set out in paragraph 6.3 'The Depositary' below.

6.2 **Authorised Corporate Director**

6.2.1 **General**

The ACD is Yealand Fund Services Limited, a private company limited by shares, incorporated in England and Wales under the Companies Act 1985 on 3 June 2009 with company number 06923395. The ACD is also the UK AIFM for the purposes of the UK AIFM Rules.

The ACD is the sole director of the Company.

The directors of the ACD are:

Alison Talbot
Rob Leedham
Samuel Jackson
Peter Doyle
Alastair Hay
Sian Hill
Aoife McCarthy
Lyndsay Cartwright

Mr. Peter Doyle is also a director of Generation Life Ltd and GenTwo Ltd, as well as a Trustee of Grosvenor Pension Funds. Ms. Sian Hill is also a director of Suffolk Building Society.

Registered Office and
Principal Place of
Business

Fountain Suite B, Lynch Wood Park, Peterborough,
Cambridgeshire PE2 6FZ

| | |
|--------------------------|---|
| Share Capital | The ACD has an issued share capital of 120,000 ordinary shares fully paid-up, such ordinary shares being worth £1 each. |
| Ultimate Holding Company | Applerigg Limited, a company incorporated in England and Wales. |

The ACD is responsible for managing and administering the Company's affairs in compliance with the COLL Sourcebook. The ACD may delegate its management and administration functions, but not responsibility, to third parties, including Associates subject to the rules in the COLL Sourcebook.

The ACD has delegated to the Investment Manager the function of acting as the discretionary investment manager of the assets of the Sub-funds (as further explained in paragraph 6.4 below). It has also delegated to the Registrar certain functions relating to the register (as further explained in paragraph 6.5.2 below) and to the Administrator the functions of administration and fund accounting (as further explained in paragraph 6.5.3 below).

6.2.2 Terms of Appointment

The appointment of the ACD has been made under an agreement between the Company and the ACD, as amended from time to time (the "**ACD Agreement**").

Pursuant to the ACD Agreement, the ACD manages and administers the affairs of the Company in accordance with the Regulations, the Instrument of Incorporation and this Prospectus. The ACD Agreement incorporates detailed provisions relating to the ACD's responsibilities.

The ACD Agreement may be terminated by either party. The ACD Agreement terminates automatically if the ACD ceases to be director of the Company or the Company is wound up. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD and excludes it from any liability to the Company or any Shareholder for any act or omission except in the case of negligence, wilful default, breach of duty or breach of trust in relation to the Company on its part. The ACD Agreement provides indemnities to the ACD to the extent allowed by the Regulations and other than for matters arising by reason of its negligence, wilful default, breach of duty or breach of trust in the performance of its duties and obligations. Subject to certain limited exceptions set out in the Regulations, the ACD may retain the services of any person to assist it in the performance of its functions.

The ACD will cover at all times the risks outlined below of loss or damage caused by any relevant person through the negligent performance of activities for which the ACD has legal responsibility by maintaining an amount of own funds, and will comply with the qualitative requirements addressing such risks, in each case, in accordance with the UK AIFM Rules and the FCA Rules. In addition, the ACD holds significant professional indemnity insurance against liability arising from professional negligence which is appropriate to the risks covered, and will comply with the qualitative requirements addressing such risks, in each case, in accordance with the UK AIFM Rules and the FCA Rules.

The risks which are specifically covered by this approach include, without being limited to, risks of:

- 6.2.2.1 loss of documents evidencing title of assets of the Company;
- 6.2.2.2 misrepresentations or misleading statements made to the Company or its investors; acts,
- 6.2.2.3 errors or omissions resulting in a breach of:
 - a) legal and regulatory obligations;
 - b) duty of skill and care towards the Company and its investors;
 - c) fiduciary duties;
 - d) obligations of confidentiality;
 - e) the terms of the Instrument of Incorporation;
 - f) terms of appointment of the ACD by the Company;
- 6.2.2.4 failure to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts;
- 6.2.2.5 improperly carried out valuation of assets or calculation of Share prices;
- 6.2.2.6 losses arising from business disruption, system failures, failure of transaction processing or process management.

6.2.3 **Conflicts of Interests**

Conflicts may arise between the interests of the ACD and its permitted delegates in certain circumstances, for example, where there is likelihood that:

- 6.2.3.1 the delegate and an investor in a Company are members of the same group or have any other contractual relationship, if the investor controls the delegate or has the ability to influence its actions (in such cases the likelihood of conflict is likely to increase the greater the extent of such control);
- 6.2.3.2 the delegate makes a financial gain, or avoids a financial loss, at the expense of the Company or the investors in the Company;
- 6.2.3.3 the delegate has an interest in the outcome of a service or an activity provided to the ACD or the Company;
- 6.2.3.4 the delegate has a financial or other incentive to favour the interest of another client over the interests of the Company or the investors in the Company;
- 6.2.3.5 the delegate receives or will receive from a person other than the ACD an inducement in relation to the collective portfolio management activities provided to the ACD and the Company in the form of monies, goods or services other than the standard commission or fee for that service.

The ACD has a policy and procedures in place to monitor the conflicts of interest that may arise in the context of its delegation of certain of its functions. To the extent any actual conflicts of interest are determined to have arisen, the ACD will manage such conflicts to minimise any impact on the investment performance, and will also seek to prevent them from reoccurring. Certain activities may be required to be modified or terminated to minimise conflicts of interest which may be identified from time to time.

Details of the fees payable to the ACD are set out in paragraph 7.2 "Charges payable to the ACD" below. The Company has no directors other than the ACD.

The ACD is under no obligation to account to the Depositary, the Company or the Shareholders for any profit it makes on the issue or re-issue or cancellation of Shares which it has redeemed.

The ACD is also the operator of certain authorised unit trusts and open-ended investment companies details of which are set out in Appendix IV.

6.3 The Depositary

6.3.1 General

NatWest Trustee & Depositary Services Limited is the depositary of the Company. The Depositary is responsible for the safe-keeping of all the property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income of the Sub-funds.

The Depositary is incorporated in England and Wales as a limited liability company. Its Registered and Head Office is at 250 Bishopsgate, London EC2M 4AA. The ultimate holding company of the Depositary is NatWest Group plc, which is incorporated in Scotland.

The Depositary is responsible for the safekeeping of all the Scheme Property (other than tangible moveable property) of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the Instrument of Incorporation and the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income and the investment and borrowing powers of the Sub-funds.

6.3.2 Delegation of safekeeping functions

Subject to the COLL Sourcebook, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as depositary.

The terms of the Depositary Agreement between the Company, the ACD and the Depositary provide that the Depositary be engaged to maintain the safe custody of the Scheme Property and to fulfil other duties required in the Regulations. Under the Agreement the Depositary has the power to appoint sub-Custodians and may include in such appointment powers of sub-delegation. The Depositary has delegated custody to CACEIS Bank, UK Branch, whose contact details are set out at Appendix VI.

6.3.3 Conflicts of interest

The Depositary 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 Depositary 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 Company or a particular sub-fund and/or other funds managed by the ACD or other funds for which the Depositary acts as the depositary, trustee or custodian. The Depositary will, however, have regard in such event to its obligations under the Depositary Agreement and the FCA Handbook 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 Shareholders collectively so far as practicable, having regard to its obligations to other clients.

As the Depositary operates independently from the Company, Shareholders, the ACD and its associated suppliers and the custodian, the Depositary does not anticipate any conflicts of interest with any of the aforementioned parties and has confirmed that it is not aware of any conflict of interest arising from its delegation of custody of Company assets. Should any such conflict arise, the Depositary shall notify the ACD and take necessary steps to address the conflict.

6.3.4 Terms of Appointment

The appointment of the Depositary has been made under an agreement between the Company, the ACD and the Depositary, (the "**Depositary Agreement**").

The terms of the Instrument of Incorporation, provide that the Depositary be engaged to maintain the safe custody of the property of the Company and to fulfil other duties required in the COLL Sourcebook and the FUND Sourcebook which include the taking of reasonable care to ensure that the Company is managed in accordance with those parts of the Regulations that concern pricing and dealing in shares of the Company, income and compliance of the Company with its investment and borrowing powers.

The Depositary Agreement provides that the Company will indemnify the Depositary for any loss suffered in the performance or non-performance of its obligations except in the case of fraud or negligent breach of the Depositary Agreement or the UK AIFM Rules, the FCA Rules, the OEIC Regulations and other applicable laws and regulations pertaining to the operation of the Company, ACD and/or Depositary.

The Depositary Agreement may be terminated on 6 months' notice by the Company or the Depositary or earlier on certain breaches or the insolvency of a party. However, termination of the Depositary Agreement will not take effect, nor may the Depositary retire voluntarily, until the appointment of a new Depositary has taken place.

The Depositary is liable to the Company or the Shareholders for the loss of a financial instrument held in custody by the Depositary or a sub-custodian. The Depositary is also liable to the Fund or the Shareholders for all other losses suffered by them as a result of the Depositary's negligent or intentional failure to properly fulfil its duties. However, where the event which led to the loss of a financial instrument is not the result of the Depositary's own act or omission (or that of its

Sub-Custodian), the Depositary is discharged of its liability for the loss of a financial instrument where the Depositary can prove that the Depositary could not have reasonably prevented the occurrence of the event which led to the loss despite adopting all precautions incumbent on a diligent depositary as reflected in common industry practice and despite rigorous and comprehensive due diligence. The ACD will inform investors without delay of any changes with respect to the Depositary's liability.

Unless otherwise agreed by the Company or the ACD, the Depositary shall not be entitled to, and no sub-custodian shall be authorised by the Depositary to re-use for its own purpose and benefit any of the Company's assets it has been entrusted with.

The Depositary is entitled to receive remuneration out of the Scheme Property for its services, as explained in paragraph 7.4 "Depositary's fee and expenses" below. The Depositary is under no obligation to account to the ACD, the Company or the Shareholders for any profits or benefits it makes or receives that are made or derived from or in connection with its role as depositary.

6.4 The Investment Manager

6.4.1 General

The ACD has delegated its day-to-day responsibility for investment management to the Investment Manager in respect of the Fund:

Kernow Asset Management Limited

The principal activity of this Investment Manager, a company incorporated in England under number 12230052, is the provision of investment management services.

6.4.2 Terms of Appointment

6.4.2.1 The Investment Manager has full discretionary powers over the investment of the part of the property of the Company entrusted to them subject to the overall responsibility and right of veto of the ACD. The agreement(s) between the ACD and the Investment Manager are terminable at any time by the ACD and on three months' written notice by an Investment Manager.

6.4.2.2 The Investment Manager may only sub-delegate its functions with the prior consent of the ACD.

6.4.2.3 The agreement between an Investment Manager and the ACD (the "Investment Management Agreement") contains provisions to the following effect:

6.4.2.3.1 the ACD will indemnify the Investment Manager against certain losses incurred by the Investment Manager but, in the absence of fraud, the ACD's liability will be limited to the assets of the Company available to meet such a claim;

6.4.2.3.2 the Investment Manager will be liable for certain losses suffered by the ACD or the Company, subject, in the

absence of fraud, to certain limitations on the Investment Manager's liability;

6.4.2.3.3 the Investment Manager shall not be liable for any non-performance of its obligations due to causes beyond its control; and

6.4.2.3.4 the agreement is governed by English law and the parties submit to the exclusive jurisdiction of the English courts.

6.4.2.4 The Investment Manager has discretion to enter into foreign exchange hedging transactions and borrowings on behalf of the Company. The Investment Manager may appoint an affiliate of any existing service provider or any other third party to act as a counterparty in the execution of foreign exchange transactions in connection with the currency hedging activities of the Company and/or to implement the currency hedging strategy

6.4.3 The contact office address of the Investment Manager is set out in Appendix VI.

6.4.4 The Investment Manager will receive a fee paid by the ACD out of its remuneration received each month from the Sub-funds as explained in paragraph 7.5 below.

6.4.5 The Investment Manager will not be considered as broker fund advisers under the FCA Handbook in relation to the Company.

6.5 **The Registrar, Administration and Fund Accountancy**

6.5.1 **General**

On behalf of the Company the ACD, Yealand Fund Services Limited will also act as registrar to the Company (the 'Registrar') and as the Company's Administrator & Fund Accountant (the 'Administrator').

The address of the registered office of the Registrar and Administrator are set out in Appendix VI.

6.5.2 **The Registrar**

The Register is kept, and maintained at, the office of the Registrar, located at Fountain Suite B, Lynch Wood Park, Peterborough, Cambridgeshire PE2 6FZ.

The Register can be inspected by Shareholders during normal office hours. The Register may also be inspected at the operating address of the ACD during normal business hours by any Shareholder or any Shareholder's duly authorised agent.

The duties of the Registrar include:

- a) maintaining the Register;
- b) receiving and processing requests for subscriptions for, or redemptions of, Shares in the Company;
- c) administrating the payment of distributions to Shareholders in the Company;

- d) dealing with certain regulatory reporting requirements on behalf of the Company and the ACD.

6.5.3 The Administrator

The duties of the Administrator include:

- a) dealing with certain regulatory reporting requirements on behalf of the Company and the ACD;
- b) maintaining the accounting records of the Company;
- c) calculating the Net Asset Value of the Sub-Funds, as well as disseminating NAV prices to interested parties;
- d) Preparing the Company's financial statements;

6.6 The Auditors

The Auditors of the Company are Moore Kingston Smith LLP, whose address is set out in Appendix VI.

The duties of the Auditors are to carry out an annual audit of the Company and to issue a report including the following statements:

- a) whether, in the Auditor's opinion, the accounts have been properly prepared in accordance with the relevant Statement of Recommended Practice, the rules in COLL Sourcebook, and the instrument constituting the scheme;
- b) whether, in the Auditor's opinion, the accounts give a true and fair view of the net revenue and the net capital gains or losses on the Scheme Property of the Company for the annual accounting period in question and the financial position of the Company as at the end of that period;
- c) whether the Auditor is of the opinion that proper accounting records for the Company have not been kept or whether the accounts are not in agreement with those records;
- d) whether the Auditor has been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of this audit; and
- e) whether the Auditor is of the opinion that the information given in the report of the ACD for that period is consistent with the accounts

6.7 Conflicts of Interest

The ACD, the Investment Manager and/or their associates may, from time to time, act as investment managers or advisers to other funds or sub-funds or clients which follow similar investment objectives to those of the Sub-funds. It is therefore possible that the ACD and/or an Investment Manager may in the course of their business have potential conflicts of interest with the Company or a particular Sub-fund. Each of the ACD and the Investment Manager will, however, have regard in such event to its obligations, respectively, under the ACD Agreement and its respective Investment Management Agreement and, in particular, to its obligation

to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

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

7 FEES AND EXPENSES

7.1 Ongoing

All costs, charges, fees or expenses, other than the charges made in connection with the subscription and redemption of Shares (see paragraph 3.5) payable by a Shareholder or out of Scheme Property are set out in this section.

The Company or each Sub-fund (as the case may be) may, so far as the COLL Sourcebook allows, also pay out of the Scheme Property all relevant costs, charges, fees and expenses including the following:

- 7.1.1 the direct establishment costs of the Company and each Sub-fund formed or Share class created may be borne by the Company, the relevant Sub-fund (as appropriate) or by the ACD at its discretion;
- 7.1.2 broker's commission (excluding costs for research), fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessary to be incurred in effecting transactions for the Sub-fund and normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- 7.1.3 fees and expenses in respect of establishing and maintaining the Register, are payable monthly out of the property of the Sub-funds;
- 7.1.4 any fees or costs associated with any CASS related support activity incurred by the Registrar;
- 7.1.5 any costs incurred in or about the listing of Shares in the Company on any Stock Exchange, and the creation, conversion and cancellation of Shares;
- 7.1.6 any costs incurred by the Company in publishing the price of the Shares in a national or other newspaper or any other media;
- 7.1.7 any costs incurred which are associated with independent risk monitoring or daily "value at risk" or "VaR" calculations (part of risk monitoring process) including license fees for market data sets that are required to cover the entire portfolio of each Sub-fund;
- 7.1.8 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 7.1.9 any reasonable general disbursements relating to postage and communication costs incurred in the proper performance of the transfer agent's duties relating to the Company, which are currently carried on by the Registrar;
- 7.1.10 any fees, expenses or disbursements of any legal or other professional adviser of the Company;

- 7.1.11 any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- 7.1.12 any costs incurred in respect of meetings of Shareholders convened for any purpose;
- 7.1.13 any payment permitted by clause 6.7.15R of the COLL Sourcebook;
- 7.1.14 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 7.1.15 taxation and duties payable in respect of the Scheme Property or the issue or redemption of Shares;
- 7.1.16 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 7.1.17 the fees of the FCA, in accordance with the FCA's Fee Manual, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the UK in which Shares in the Company are or may be marketed;
- 7.1.18 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 7.1.19 the total amount of any cost relating to the authorisation and incorporation of the Company and of its initial offer or issue of Shares;
- 7.1.20 any costs incurred in preparing, translating, producing (including printing), distributing and modifying the instrument of incorporation, the prospectus, the simplified prospectus/key features (apart from the costs of distributing the simplified prospectus/key features) or reports, accounts, statements, contract notes and other like documentation or any other relevant document required under the Regulations;
- 7.1.21 any payments otherwise due by virtue of a change to the Regulations;
- 7.1.22 any value added or similar tax relating to any charge or expense set out herein;
- 7.1.23 any fees or costs incurred in respect of electronic dealing; and
- 7.1.24 the cost of any index licence fee which would be payable to an index provider for use and publication of the index data.

The ACD is also entitled to be paid by the Company out of the Scheme Property any reasonable expenses incurred by the ACD or its delegates of the kinds described above.

Expenses are allocated between capital and income in accordance with the Regulations. However, the approach for a given Sub-fund is set out in Appendix I. Where expenses are deducted in the first instance from income if and only if this is insufficient, deductions will be made from capital.

If deductions were made from capital, this would result in capital erosion and constrain growth.

7.2 **Charges payable to the ACD**

7.2.1 **Preliminary and Annual Management Charge**

The ACD may receive, or waive in part or in whole, a preliminary charge upon the sale or purchase of Shares. Details of the preliminary charge, and the basis for this charge, are set out in paragraph 3.5.1 above.

Any preliminary charge will be as set out in Appendix I, but the ACD does not currently receive a preliminary charge.

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee (referred to in this Prospectus as the 'annual management charge') out of each Sub-fund as set out in Appendix I. The current annual management charge for each Sub-fund is expressed as a percentage per annum of the Net Asset Value of that relevant Sub-fund.

The annual management charge will accrue on a daily basis in arrears by reference to the Net Asset Value of the Sub-fund on the immediately preceding Dealing Day and the amount due for each month is payable on the last Dealing Day of each month.

Performance Fee

For certain Sub-funds the ACD is entitled to receive a Performance Fee in addition to the annual management charge referred to above. If a Performance Fee applies to a Sub-fund it is indicated in Appendix I, along with the Performance Fee Rate and the benchmark or hurdle which is used to calculate the Performance Fee.

Where a Performance Fee is introduced to an existing Class this will be subject to Shareholder approval by means of an extraordinary meeting of Shareholders.

If the ACD waives the application of a Performance Fee for an existing Class, the ACD will provide investors with a minimum of 60 days' notice of its intention to re-commence the application of a Performance Fee.

Performance Fees may create an incentive for the ACD to make investments that are riskier or more speculative than would be the case in the absence of such incentive compensation arrangements. The Performance Fees payable to the ACD will be based on the cumulative performance of the Net Asset Value per Share of a Class as a whole (before deduction of any Performance Fees), including any income attributable to the cash assets of such Class, and adjustments for the number of Shares in issue.

The combination of daily issues and cancellations and the changing cumulative performance of the Net Asset Value per Share in a Class may impact Performance Fees for Shareholders in different ways because of the timing of issues, cancellations and holdings. In addition, the Performance Fees will be based on unrealised as well as realised gains. There can be no assurance that such unrealised gains will, in fact, ever be realised or that Shareholders will experience identical returns.

Once a Performance Fee is charged to a Class it is not repayable, should the Class subsequently underperform.

Expenses

The ACD is also entitled to all reasonable, properly documented, out of pocket expenses incurred in the performance of its duties as set out above.

VAT is payable on the charges or expenses mentioned above, where appropriate.

The current annual fee payable to the ACD for a Class may only be increased or a new type of remuneration introduced in accordance with the Regulations.

7.3 Registration Fees

The Registrar is entitled to receive a fee out of the Scheme Property for providing registration services, (including establishing and maintaining sub-registers where applicable) and disbursements as listed in the Fees and Expenses paragraph 7 above. Such fee is payable monthly. The current fees payable to the Registrar are as follows: £15 per annum per Shareholder per each Sub-fund of the Company in which the Shareholder is invested.

In addition, for any instruction to purchase or redeem Shares in a Sub-fund, a Dealing fee of up to £15 will be levied and payable by that Sub-fund. The amount of any Dealing fee will depend on the method of investment or redemption (for example electronic or postal) and will reflect the underlying cost of the chosen method. Further details are available on request from the ACD.

The Registrar's fees and Dealing fees are subject to a minimum payment of £1,000 per annum per Sub-fund and are subject to annual increases in line with the Retail Price Index.

Administration Fees

The Administrator is paid a periodic fee from the Scheme Property for providing administration and accounting services as set out below.

| | |
|------------------|--|
| 0.08% per annum | on the first £100 million value of the Scheme Property of each Sub-fund; |
| 0.06% per annum | on £100-£200 million value of the Scheme Property of each Sub-fund; |
| 0.04% per annum | on £200-£500 million value of the Scheme Property of each Sub-fund; |
| 0.03% per annum | on £500-£1000 million value of the Scheme Property of each Sub-fund; |
| 0.025% per annum | Thereafter. |

The annual fee is subject to a minimum fee of £25,000 applicable to each Sub-

fund and are subject to annual increases in line with the Retail Price Index.

7.4 **Depositary's fee and expenses**

The Depositary is paid a periodic fee (plus VAT) from the Scheme Property of the relevant Sub-fund by way of remuneration for its services.

The Depositary's fee is calculated on the value of the Scheme Property, of the Company in accordance with the Depositary Agreement and the FCA Rules, and payable out of the Scheme Property of the relevant Sub-fund in accordance with the FCA Rules. For this purpose, the value of each Sub-fund is inclusive of the issues and cancellations which take effect as at the relevant Valuation Point.

The Depositary's fee shall accrue daily, and shall be calculated by reference to the value of the relevant Sub-fund at the last dealing valuation point of the prior month and is payable as soon as practicable after the month end.

The current fees payable are:

0.03% per annum on the first £50 million value of the Scheme Property of each Sub-fund;

0.025% per annum on the remainder of the NAV.

The annual fee is subject to a minimum fee of £5,000 applicable to each Sub-fund. VAT (at the standard rate) is added to these fees.

In addition to the above periodic fees, the Depositary shall also be entitled to be paid custody transaction charges, in relation to securities transactions and safekeeping charges of Scheme Property as follows:

The remuneration for acting as custodian is calculated at such rate and/or amount as the Manager, the Trustee and the Custodian may agree from time to time.

| Transaction Charges | Range £3 to £126 |
|--|---|
| Charges for principal investment markets | UK: £8 United States: £6 Germany: £10 Japan: £6 |
| Custody Charges | Range 0.0025% to 1.08% |
| Charges for principal investment markets | UK: 0.0025% United States: 0.005% Germany: 0.0122% Japan: 0.015% |

In addition to the remuneration referred to above, the Trustee is entitled to receive reimbursement for expenses properly incurred by it in discharge of its duties or exercising any powers conferred upon it in relation to the Trust.

These charges vary from country to country depending on the markets and the type of transaction involved.

Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable and in any event not later than the last Business Day of the month when such charges arose or as otherwise agreed between the ACD and the Depositary. Custody charges accrue and are payable as agreed from time to time by the ACD and the Depositary.

Where relevant, the Depositary may make a charge for (or otherwise benefit from) providing services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending or derivative transactions in relation to the Company and may purchase or sell or deal in the purchase or sale of the Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the FCA Rules.

The Depositary will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Depositary Agreement, the FCA Rules or by the general law.

On a winding up of the Company or termination of a Sub-fund the Depositary will be entitled to its pro rata fees, charges and expenses to the date of winding up, the termination, and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

Any value added tax on any fees, charges or expenses payable to the Depositary will be added to such fees, charges or expenses.

In each case such payments, expenses and disbursements may be payable to any person (including the ACD or any associate or nominee of the Depositary or of the ACD) who has had the relevant duty delegated to it pursuant to the FCA Rules by the Depositary.

The Depositary has delegated the provision of global custody to CACEIS Bank, UK Branch.

Expenses not directly attributable to a particular Sub-fund will be allocated between Sub-funds.

7.5 Investment Manager's fees

The Investment Manager's fees and expenses (plus VAT thereon) for providing investment management services will be paid by the ACD out of its remuneration under the ACD Agreement (the annual management charge).

Research costs will be paid for by the Investment Manager out of this fee and shall not be borne by any Sub-fund.

Further details of this agreement are summarised in paragraph 6.4.2 "Terms of

Appointment" above.

7.6 **Allocation of fees and expenses between Sub-funds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Sub-fund in respect of which they were incurred. This includes any charges and expenses incurred in relation to the Register, except that these will be allocated and charged to each class of Shares on a basis agreed between the ACD and the Depositary.

Where an expense is not considered to be attributable to any one Sub-fund, the expense will normally be allocated to all Sub-funds pro rata to the value of the Net Asset Value of the Sub-funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

Allocation of payments

Where charges, including the annual management charge, Depositary's fees and other expenses are deducted from the capital property of a Sub-fund, this can have the effect of constraining or even eroding capital growth of that Sub-fund.

8. **SHAREHOLDER MEETINGS AND VOTING RIGHTS**

8.1 **Class, Company and Sub-fund Meetings**

The Company shall not hold annual general meetings.

The provisions below, unless the context otherwise requires, apply to Class meetings and meetings of Sub-funds as they apply to general meetings of the Company, but by reference to Shares of the Class or Sub-fund concerned and the Shareholders and value and prices of such Shares.

8.2 **Requisitions of Meetings**

The ACD may requisition a general meeting at any time.

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

8.3 **Notice and Quorum**

Shareholders will receive at least 14 days' notice of a general meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. The quorum for an adjourned meeting is one person entitled to be counted in a quorum.

Any notice or document to be served upon a Shareholder will be duly served if it is:

- i. delivered to the Shareholder's address as appearing in the Register; or

- ii. delivered by using an electronic medium in accordance with the paragraph below (addressing 'legible form');

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.

Any document or notice to be served on or information to be given to a Shareholder must be in legible form. For this purpose, any form is legible form which:

- i. is consistent with the ACD's knowledge of how the recipient of the document wishes or expects to receive the document;
- ii. is capable of being provided in hard copy by the ACD;
- iii. enables the recipient to know or record the time of receipt; and
- iv. is reasonable in the context.

8.4 **Voting Rights**

At a general meeting, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

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

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

In the case of joint Shareholders, the vote of the most senior Shareholder who votes, whether in person or by proxy, must be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority must be determined by the order in which the names stand in the Register.

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

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

Where all the Shares in a Sub-fund are registered to, or held by, the ACD or its Associates and they are therefore prohibited from voting and a resolution (including an extraordinary resolution) is required to conduct business at a meeting, it shall

not be necessary to convene such a meeting and a resolution may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares in issue.

“Shareholders” in this context means Shareholders entered on the Register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

8.5 Variation of Class or Sub-fund rights

The rights attached to a Class or Sub-fund may be varied in accordance with COLL.

9 TAXATION

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, which are subject to change. It summarises the tax position of the Sub-Funds and of investors who are United Kingdom resident individuals and hold Shares as investments. The regime for taxation of income and capital gains received by individual investors depends on the tax law applicable to their personal circumstances and may be subject to change in the future. Prospective investors who are in any doubt about their tax position, or who may be subject to corporation tax in the United Kingdom or to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

The Sub-Funds

Each Sub-Fund will be treated as a separate open-ended investment company for United Kingdom tax purposes.

The Sub-Funds are generally exempt from United Kingdom tax on capital gains realised on the disposal of their investments (including interest-paying securities and economically-equivalent assets) held within them. However, any gains realised on disposing of holdings in non-reporting offshore funds are charged to tax as income and not capital.

Any dividend received by the Sub-Funds (whether directly or through another United Kingdom authorised investment fund) will generally be exempt from corporation tax. Each Sub-Fund will be subject to corporation tax on most other types of income but after deducting allowable management expenses and, where relevant, interest distributions. Where the Sub-Funds suffer foreign withholding tax on exempt income, this will generally be an irrecoverable tax expense.

Each Sub-Fund will make dividend distributions except where more than 60% of the value of a Sub-Fund’s investments has been invested throughout the distribution period in qualifying assets (broadly, interest-paying assets and economically-equivalent assets), in which case it may make interest distributions.

Shareholders

Dividend Distributions

Dividend distributions paid to individuals resident in the United Kingdom by a Sub-Fund (which will be automatically retained in the Sub-Fund in the case of accumulation Shares) are liable to income tax.

Individuals liable to income tax at the basic, higher or additional rates may have a further liability to tax depending on the availability of other allowances and reliefs including the annual Dividend Allowance.

Interest Distributions

Interest distributions paid to individuals resident in the United Kingdom by a Sub-Fund (which will be automatically retained in the Sub-Fund in the case of accumulation Shares) are liable to income tax.

Individuals liable to income tax at the basic, higher or additional rates may have a further liability to tax depending on the availability of other allowances and reliefs including the annual Personal Savings Allowance.

Income Equalisation

The first income allocation received by a Shareholder after buying Shares may include an amount of income equalisation, which will be shown on the issued tax voucher. This is effectively a repayment of the income equalisation paid by the Shareholder as part of the purchase price. It is a return of capital, and is not taxable. Rather it should be deducted from the acquisition cost of the Shares for capital gains tax purposes.

Tax Vouchers

A tax voucher will be issued in line with the income distribution dates set out in Appendix 1. This voucher should be retained for tax purposes as evidence for HM Revenue & Customs.

The ACD reserves the right to charge an administration fee of £10 if a duplicate copy is required. To obtain a duplicate copy you will need to submit your request in writing, along with payment, to Yealand Fund Services Limited, Distributions Team, at the address of the Registrar.

Capital Gains

Shareholders may be liable to capital gains tax on gains arising from the redemption, transfer or other disposal of Shares. The rate of tax, and available reliefs, will be as applicable from time to time.

An exchange of Shares in one Sub-Fund of the Company for Shares in another Sub-Fund will generally be treated as a disposal for this purpose, but exchanges of Shares between classes within a Sub-Fund are generally not.

Automatic Exchange of Information for International Tax Compliance

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

When requested to do so by the ACD or its agent, Shareholders must provide tax residency, US citizenship and certain other information to be passed on to HM

Revenue & Customs, and, by them, to any relevant overseas tax authorities. Shareholders must inform the ACD (or its agents) of any changes in circumstances affecting their tax residency and/or US citizenship status or any other information provided within 30 days of such change and provide updated documentation as required by the ACD (or its agent).

If a Shareholder fails to provide the information required by the Company to comply with its obligations to HMRC this may result in the ACD taking appropriate action against the Shareholder, which may include invoking the compulsory transfer and redemption provisions set out in paragraph 3.7.

10 WINDING UP OF THE COMPANY OR TERMINATION OF A SUB-FUND

The Company will not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the COLL Sourcebook. A Sub-fund may only be terminated under the COLL Sourcebook.

Where the Company is to be wound up or a Sub-fund is to be terminated under the COLL Sourcebook, such winding up or termination may only be commenced until (a) effect has been given, under regulation 21 of the OEIC Regulations, to proposals to wind up the affairs of the Company or make alterations to the Company's Instrument of Incorporation and Prospectus as required if a Sub-fund is to be terminated, and (b) a statement is prepared, delivered to the FCA under COLL 7.3.5 R (solvency statement) and received by the FCA prior to satisfying the condition under (a) above.

The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of ACD at the relevant time.

The Company shall be wound up or a Sub-fund must be terminated under the COLL Sourcebook:

- 10.1 if an extraordinary resolution to that effect is passed by Shareholders; or
- 10.2 when the period (if any) fixed for the duration of the Company or a particular Sub-fund by the Instrument of Incorporation expires, or any event occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Sub-fund is to be wound up or terminated (for example, if the Share capital of the Company or (in relation to any Sub-fund) the Net Asset Value of the Sub-fund is below £8 million, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Sub-fund); or
- 10.3 on the date stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Company or for the termination of the relevant Sub-fund; or
- 10.4 on the effective date of a duly approved scheme of arrangement which is to result in the Company, or a Sub-fund, ceasing to hold any Scheme Property; or
- 10.5 in the case that a fund is an umbrella on the date on which all of its sub-funds fall within paragraph 10.4 above or have otherwise ceased to hold any Scheme Property despite the Company may have assets and liabilities that are not attributable to any particular sub-fund.

On the occurrence of any of the above:

- 10.6 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and borrowing powers) will cease to apply to the Company or the relevant Sub-fund;
- 10.7 the Company will cease to issue and cancel Shares in the Company or the relevant Sub-fund and the ACD shall cease to sell or redeem Shares or arrange for the Company to issue or cancel them for the Company or the relevant Sub-fund;
- 10.8 no transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;
- 10.9 where the Company is being wound up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;
- 10.10 the corporate status and powers of the Company and subject to 10.6 to 10.9 above, the powers of the Depositary shall continue until the Company is dissolved.

The ACD shall, as soon as practicable after the Company or the Sub-fund falls to be wound up or terminated, realise the assets and meet the liabilities of the relevant Sub-fund or the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Sub-fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Sub-fund, give written notice of the commencement to Shareholders. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Company or the particular Sub-fund to be realised, the ACD shall arrange for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Sub-fund.

As soon as reasonably practicable after completion of the winding up of the Company or of the termination of the particular Sub-fund, the Depositary shall notify the FCA that the winding up or termination has been completed.

On completion of a winding up of the Company, the Company will be dissolved and any money (including unclaimed distributions) still standing to the account of the Company, will be paid into court by the ACD within one month of the dissolution.

Following the completion of a winding up of the Company or a termination of a Sub-fund, the ACD must prepare a final account showing how the winding up or termination took place and how the Scheme Property was distributed. The Auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the Auditors' report must be sent to the FCA and to each Shareholder (or the first named of joint Shareholders) on it within four months of the completion of the winding up or termination.

11 RISK PROFILE MANAGEMENT

- 11.1 The ACD, in consultation with the Investment Manager, has adopted a risk management process in respect of the Company enabling it to monitor and measure the risk of the Company's portfolio and contribution of the underlying investments to the overall risk profile of the Company.

- 11.2 The ACD operates a liquidity risk management policy with a view to ensuring that Shareholders are able to realise their Shares in accordance with this Prospectus and the requirements of the FCA Rules. This Prospectus provides information in relation to liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors.
- 11.3 Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. Examples include insufficient cash to meet redemption requests or make margin payments requirements and the risk that a particular derivative position cannot be easily unwound or offset due to insufficient market depth or market disruption or that the Company's financial obligations arising from the derivative activity (such as margin calls) will not be able to be met. It is controlled for through monitoring of the liquidity of all instruments used, including derivatives, in the context of the investment objectives and liquidity requirements of each scheme or client account. Cash positions are monitored and reported to ensure that the Company has sufficient capacity to meet obligations arising from any derivative positions.
- 11.4 Stress tests on the portfolio are undertaken on a periodic basis, the frequency is dependent on a number of factors, e.g. portfolio composition and liquidity.

12 LEVERAGE

- 12.1 Each Sub-fund may invest in instruments which are subject to leverage from time to time. Under the UK AIFM Rules, the ACD must:
- 12.1.1 set a maximum level of leveraging which it may employ on behalf of the Sub-fund; and
 - 12.1.2 where the leverage arrangement allows the right to reuse collateral or the granting of a guarantee, set out the extent of that right or guarantee.

***NOTES**

Under the **gross method**, the exposure of a Sub-fund is calculated as follows:

1. the value of any cash and cash equivalents which are highly liquid investments held in the base currency of the Sub-fund that are readily convertible to an amount of cash, subject to an insignificant risk of change in value and which provide a return no greater than the rate of a three month high quality government bond is excluded;
2. derivative instruments are converted (using certain specified conversion methodologies) into the equivalent position in their underlying assets;
3. cash borrowings that remain in cash or cash equivalents and where the amounts payable are known are excluded;
4. exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed are included; and
5. positions within repurchase or reverse repurchase transactions and securities lending or borrowing or other similar arrangements are included.

The maximum level of leverage for a Sub-fund expressed as a ratio of the Sub-fund's total exposure to its Net Asset Value current ratio under the gross method is set out in

Appendix I.

Under the **commitment method**, the exposure of a Sub-fund is calculated as follows:

1. derivative instruments are converted (using certain specified conversion methodologies) into the equivalent position in their underlying assets;
2. netting and hedging arrangements are applied, subject to specified conditions;
3. the exposure created through the reinvestment of borrowings where such reinvestment increases the exposure of the Sub-fund is calculated;
4. derivative instruments used for currency hedging purposes are excluded.

The maximum level of leverage for the Sub-fund expressed as a ratio of the Sub-fund's total exposure to its Net Asset Value current ratio under the commitment method is set out in Appendix I.

Where a Sub-Fund may use options, forwards and other derivative instruments for both the purpose of meeting the investment objectives of the Sub-Fund and/or hedging against either price or currency fluctuations, the ACD's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including (i) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the Sub-Fund; (ii) the absence of a liquid market for any particular instrument at any particular time; and (iii) possible impediments to the ability to meet redemption requests or other short-term obligations because of the percentage of the Sub-Fund's assets segregated to cover its obligations. Hedging strategies necessarily add costs to the Sub-Fund.

13 FAIR TREATMENT OF INVESTORS

- 13.1 The ACD ensures fair treatment of investors by its compliance with the applicable rules in the COLL Sourcebook and the FUND Sourcebook and with the rules contained in the FCA Handbook.
- 13.2 The ACD is required, under the FCA Handbook, to treat its customers fairly, when they become, remain or as they cease to be Shareholders. The ACD complies with the rules in the FCA Handbook, and has adopted a series of policies and procedures (including a Conflict of Interest policy) which are designed to achieve this outcome.
- 13.3 The ACD and/or the Investment Manager may enter into side letters and/or other arrangements ("Side Arrangements") with Shareholders, including those deemed to involve a significant or strategic relationship, that will result in the terms of an investment in the Company being different to the terms applicable to other Shareholders and/or provide the following preferential treatment:
 - 13.3.1 Disclosure / Reporting:
 - 13.3.1.1 notification of (A) certain 'key man' events and/or (B) certain changes to the organisation of the Company and/or (C) the issue of Shares on more favourable terms to those described herein (as amended by the relevant side letter and/or other arrangement) and/or (D) certain other changes and/or other events, in each case that affects, or relates to, the Company and/or its

recognition of foreign judgments in respect of contracts which contain an exclusive jurisdiction clause. The Hague Convention does not, however, extend to contracts containing non-exclusive jurisdiction clauses, which typically permit the more dominant party to the contract to sue in the court of their choice while restricting the right of the less dominant party to the courts of a single country. There is some debate as to whether the UK's accession to the Hague Convention is a continuation of its membership which it held as an EU member state or is a new membership running from Exit Day, with the EU maintaining it is a new membership. Only those contracts entered into after the UK's accession to the Hague Convention will have the benefit of cross-border recognition under its terms.

- 14.2 The UK has also applied to re-join the Lugano Convention 2007 which would permit for the recognition of judgments based on contracts under the laws of Lugano Convention member states regardless of whether the contract contains an exclusive or a non-exclusive choice of law clause. Lugano member states are the EU (on behalf of the EU member states) and Iceland, Norway and Switzerland. However, each member of the Lugano Convention has a veto on the accession of new members and UK accession may not occur on Exit Day or at all.
- 14.3 Regardless of whether or not a country is a member of a cross-border convention for the recognition of judgments, jurisdictions with a common law legal system (the UK, Ireland, Malta, Cyprus, Canada, Australia and New York, amongst others), may recognise foreign judgments under the common law doctrine of comity, however, such recognition is not automatic, the necessary applications can be costly and time consuming and there are various exceptions to the doctrine and defences which can be raised to such applications.
- 14.4 As a rule, unless a country which is a civil law jurisdiction is a member of a cross-border convention for the recognition of judgments, seeking recognition of a foreign judgment is too slow, complex and costly to be practicable.

15 GENERAL INFORMATION

15.1 Accounting Periods

The annual accounting period of the Company ends each year on 30 June (the accounting reference date) with an interim accounting period ending on 31 December. The first annual accounting period of the Company was ended on 30 June 2023.

The ACD may even out the payments of income within an accounting period by carrying forward income otherwise distributable with a view to augmenting amounts to be paid out at a later date or at a date shown in Appendix I.

15.2 Income Allocations

The Sub-funds income allocation dates are set out in Appendix I. For each of the Sub-funds income is allocated in respect of the income available at each accounting date.

In relation to income Shares, distributions of income for each Sub-fund in which income Shares are issued are paid by BACS transfer directly into a Shareholder's bank account on or before the relevant income allocation date in each year as set out in Appendix I.

For Sub-funds in which accumulation Shares are issued, income will become part of the capital property of the Sub-fund and will be reflected in the price of each such accumulation Share as at the end of the relevant accounting period.

If a distribution made in relation to any income Shares remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Sub-fund (or, if that no longer exists, to the Company).

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

15.3 Annual Reports

The annual long reports of the Company will be published, and made available, on or before 31 October.

A long report containing the full accounts is available to any person free of charge on request.

15.4 Documents of the Company

The following documents may be inspected, free of charge, during normal business hours on any Business Day at the offices of the ACD at the address set out in Appendix VI:

- 15.4.1 the most recent annual and half-yearly reports of the Company;
- 15.4.2 the Instrument of Incorporation (and any amending documents);
- 15.4.3 the Prospectus; and
- 15.4.4 the material contracts referred to below.

Shareholders may obtain, on request, copies of the above documents from the ACD. The ACD may make a charge at its discretion for copies of documents (apart from the most recent Prospectus and annual and half-yearly long reports of the Company which are available free of charge to anyone who requests).

15.5 Material Contracts

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

- 15.5.1 the ACD Agreement between the Company and the ACD (which can be provided to Shareholders on request to the ACD).

Details of the above contracts are given under paragraph 6 "Management and Administration".

15.6 **Provision of Investment Advice**

All information concerning the Company and about investing in Shares of the Company is available from the ACD at the address set out in Appendix VI. The ACD is not authorised to give investment advice and persons requiring such advice should consult a professional financial adviser. All applications for Shares are made solely on the basis of the current prospectus of the Company, and investors should ensure that they have the most up to date version.

15.7 **Telephone Recordings**

Telephone calls may be recorded for regulatory, training or monitoring purposes and to confirm investors' instructions.

Recordings will be provided on request for a period of at least five years from the date of such recording, or, where requested by a competent regulatory authority, for a period of seven years, where the ACD can identify the call. If you ask the ACD to send you a recording of a particular call, the ACD may ask for further information to help identify the exact call to which your request relates.

15.8 **Data Protection**

The personal details of each applicant for Shares will be held by the ACD and/or the Administrator as its agent in accordance with Data Protection Legislation for the purposes of carrying out the ACD's agreement with each Shareholder. This may include the transfer of such data to the Investment Manager and other members of the ACD's group and to other businesses providing services to the ACD (including their offices outside the UK and the EEA) where the transfer is necessary for the provision of services in relation to the ACD's role as operator of the Company. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the UK and the EEA. In these instances the ACD will take steps to ensure that your privacy rights are respected. Shareholders have the right to access their personal data processed by the ACD together with (in certain circumstances) the right to object to the processing of such data for legitimate reasons. A copy of the ACD's Privacy Notice relating to investors is available at <https://yealand.com/policies/> or on request from the ACD.

15.9 **Electronic Verification**

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, The Proceeds of Crime Act 2002, the Senior Management Arrangements Systems & Controls Sourcebook and Joint Money Laundering Steering Group guidance notes (which are updated from time to time) state that the ACD must check your identity and the source of the money invested. The ACD may also request verification documents from parties associated with you. In some cases, documentation may be required for officers performing duties on behalf of bodies corporate. The checks may include an electronic search of information held about you (or your associated party) on the electoral roll and using credit reference agencies. The credit reference agency may check the details you (or your associated party) supply against any particulars on any database (public or otherwise) to which they have access and may retain a record of that information although this is only to verify identity and will not affect your (or your associated party's) credit rating. They may also use your (or your associated party's) details in the future to assist other companies for verification purposes. If you apply for Shares you are giving the ACD permission to ask for this information in line with the Data Protection Legislation. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to the ACD with your

application.

15.10 **Complaints**

Complaints may be brought in writing to the ACD at the address set out in Appendix VI.

In the event that an unsatisfactory response is provided, you can refer your complaint to the Financial Ombudsman Service at Financial Ombudsman Service, Exchange Tower, London E14 9SR.

A copy of the complaints handling procedure is available from the ACD on request.

Shareholders may be entitled to compensation from the Financial Services Compensation Scheme if the Company cannot meet its obligations. This depends on the type of business and circumstances of the claim. In respect of most types of investment, the first £85,000 is protected in full. Further information about compensation arrangements is available from the Financial Services Compensation Scheme website www.fscs.org.uk.

15.11 **Risk Management**

The ACD will provide upon the request of a Shareholder further information relating to:

- 15.11.1 the quantitative limits applying in the risk management of the Company;
- 15.11.2 the methods used in relation to 15.14.1; and
- 15.11.3 any recent development of the risk and yields of the main categories of investment.

15.12 **Future disclosures**

The following information will be made available to Shareholders as part of the Company's annual report:

- 15.12.1 the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature;
- 15.12.2 the current risk profile of the Company and the risk management systems employed by the ACD to manage those risks; and
- 15.12.3 the total amount of leverage employed by the Company, as applicable.

Shareholders will also be provided with information regarding changes to:

- 15.12.4 the maximum level of leverage which a Company, or the ACD on the Company's behalf, may employ; or
- 15.12.5 the rights for re-use of collateral under the Company's leveraging arrangements; or
- 15.12.6 any guarantee granted under the Company's leveraging arrangements.

- 15.12.7 This information will be made available to Shareholders, without undue delay following the occurrence of that change, usually by way of update to this Prospectus. Where required, such change will be preceded by notification to Shareholders.

15.13 **Indemnity**

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's Auditors or the Depositary against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence in the discharge of its functions in respect of the Company.

15.14 **Changes to the Company**

The ACD must obtain the prior approval of Shareholders by extraordinary resolution for any proposed change to the Company that is a fundamental change. This is a change or event which:

- 15.15.1 changes the purpose or nature of the Company;
- 15.15.2 may materially prejudice a Shareholder;
- 15.15.3 alters the risk profile of the Company; or
- 15.15.4 introduces a new type of payment out of the Company property.

The ACD must give prior written notice to Shareholders of any proposed change which constitutes a significant change. This is a change or event which is not fundamental, but which:

- 15.15.5 affects a Shareholder's ability to exercise his rights in relation to his investment;
- 15.15.6 would reasonably be expected to cause the Shareholder to reconsider his participation in the Company;
- 15.15.7 results in any increased payments out of the Company property to the ACD or an associate of the ACD; or
- 15.15.8 materially increase other types of payment out of the Company property;
- 15.15.9 the notice period must be of reasonable length, and must not be less than 60 days.

The ACD must inform Shareholders in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the Company. This is a change or event, other than a fundamental or significant change, which a Shareholder must be made aware of unless the ACD concludes the change is insignificant. The appropriate manner and timescale of notification will depend on the nature of the change or event. An appropriate manner of notification could include the information being included in the next long form report of the Company.

15.15 Income Equalisation

15.15.1 When an incoming Shareholder purchases a Share during an accounting period, part of the purchase price will reflect the relevant share of accrued income in the NAV of the Company.

15.15.2 The first allocation of income in respect of that Share refunds this amount as a return of capital. The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the creation price of Shares of the type in question issued or re-issued in a grouping period by the number of those Shares and applying the resulting average to each of the Shares in question.

15.15.3 *Grouping for equalisation*

Grouping periods are consecutive periods within each annual accounting period, being the interim accounting periods (including the period from the end of the last interim accounting period in an annual accounting period to the end of that annual accounting period) specified in section 15.16 of this prospectus.

If there are no interim accounting periods the periods for grouping of Shares will be annual accounting periods. Grouping is permitted by the Instrument of Incorporation for the purposes of equalisation.

15.17 Collateral

The Investment Manager may have to provide, or receive, collateral in entering into certain derivative transactions for and on behalf of the Company. In doing so, the Investment Manager may apply a haircut to that collateral. A "haircut" is a percentage that is subtracted from the market value of an asset that is being used as collateral.

The Investment Manager will judge, on a case-by-case basis, the extent and type of collateral to use when negotiating with counterparties and clearing houses and the haircut policy which it will apply taking into account criteria including the asset types, maturity, liquidity, valuation, issuer credit quality, correlation and risks linked to the management of collateral and enforceability.

In agreeing this, the Investment Manager will consider, among other things, the requirements of its own internal policies and procedures. Cash, and the types of collateral which are permitted under the European Market Infrastructure Regulation on derivatives, central counterparties and trade repositories (EMIR), will be deemed to be permitted for the purposes of the ACD's collateral policy. Furthermore, collateral will be exchanged in compliance with the provisions of EMIR and in particular:

- (i) Any collateral received shall be of sufficiently high liquidity and credit quality to allow the collecting counterparty to liquidate the positions without suffering a loss due to significant changes in value in case the other counterparty defaults.
- (ii) Any non-cash collateral received shall be reasonably diversified in terms of individual issuers, issuer types and asset classes.

- (iii) Securities issued by the poster of the collateral or its related entities shall not be accepted as collateral.
- (iv) The collateral collected by a counterparty shall reflect the results of the daily marking-to-market or marking-to-model of outstanding contracts and shall generally be exchanged no later than the end of the business day following the date of execution.
- (v) The Investment Manager will have the operational capability to liquidate the collateral collected in the case of a default of the poster of collateral and will also be able to use the cash proceeds of liquidation to enter into an equivalent contract with another counterparty or to hedge the resulting risk.

Eligible collateral types (for derivative trading) are approved by the Investment Manager, and are set out in the respective ISDA Credit Support Annexes. Generally, eligible collateral consists of UK gilts and cash. Collateral is subject to a haircut on a sliding scale based on the residual maturity of the underlying instrument.

Valuations are carried out daily and a margin is applied to collateral transactions.

The collateral and the assets underlying total return swap transactions (and the remaining assets of the Sub-fund) will be held within a safekeeping account kept with the Depositary, Sub-Custodian or prime broker (where appointed as a sub-custodian).

15.8 Shareholders' rights

The main legal implications of the contractual relationship entered into for the purpose of investment in the Company are as follows:

- (i) By investing in the Company through telephone or by submitting an application form to Yealand Fund Services Limited at the dealing office of the Registrar, the investor makes an offer to subscribe for Shares which, once it is accepted by the ACD, or the Registrar on its behalf, has the effect of a binding contract to subscribe for Shares.
- (ii) The provisions of the scheme documents made between the ACD and the Depositary by way of which the Company is constituted, as the same may be amended from time to time are binding on each of the Shareholder (who are taken to have notice of them) as if that Shareholder was a party to it with effect on and from the date that any person has become a Shareholder.
- (iii) The scheme documents and the application form are each made under and governed by and shall be construed in accordance with the laws of England and Wales. The Company, the ACD and Shareholders will be subject to the exclusive jurisdiction of the courts of England and Wales to settle any dispute or claim arising out of or in connection with a Shareholder's investment in the Company or any related matter.

- (iv) The scheme documents may be amended by agreement between the ACD and the Depositary.
- (v) Absent a direct contractual relationship between a Shareholder and the relevant service provider, Shareholders generally have no direct rights against the relevant service provider and there are only limited circumstances in which a Shareholder may potentially bring a claim against the relevant service provider. Instead, the proper claimant in an action in respect of which a wrongdoing is alleged to have been committed against the Company by the relevant service provider is, prima facie, the Company itself or the ACD acting on behalf of the Company, as the case may be.

APPENDIX I

SUB-FUND DETAILS

Name: YFS Kernow Equity Navigator Fund

Product Reference Number: 970353

Launch Date: 1 April 2022

Type of Sub-fund: Non UCITS Retail Scheme (NURS)

Investment Objective: The Sub-fund aims to provide an absolute return by way of a positive return in any market conditions over rolling three year periods. The Sub-fund has a target benchmark which is set at 4% per annum which is equivalent to the performance fee's hurdle rate (subject to the high watermark).

There is no guarantee of a positive return over the rolling three year period, or any other time period, and capital is at risk.

Investment Policy: The Sub-fund is actively managed with long and short positions investing solely in companies listed in the UK. These companies may have significant economic exposure outside of the UK.

A long position may be held directly by investing in the underlying equities or synthetically (i.e. not through direct investment in underlying equities) through the use of derivatives. The majority of the Sub-fund's long exposure will be through direct investment and only in exceptional market conditions could this be below 50% of the Sub-fund. A short position will be held synthetically using derivatives.

The Sub-fund is not constrained by any index, sector weightings or market capitalisation and may be invested in a concentrated number of securities with a bias towards certain sectors from time to time. The portfolio of the Sub-fund is concentrated, holding at least 20 long positions and up to 20 short positions (i.e. between 20 – 40 positions at any one time).

The Sub-fund will seek investment opportunities across all market capitalisations and sectors, however, investee companies will have a market

capitalisation of at least £100m at the time of investment.

The Sub-fund will use derivatives for achieving the investment objective as well as for efficient portfolio management purposes (including the hedging of risk). The Sub-fund may at any one time be significantly exposed to financial derivative instruments, including total return swaps and contracts for difference.

The Sub-fund may hold cash or near cash from time to time, in addition to cash allocated as cover for its derivatives obligations.

The minimum long investment positions referenced above will not apply under extraordinary market conditions, in which circumstances the Sub-fund may temporarily invest largely or wholly in gilts, cash or near cash in order to mitigate its exposure to market risk. Examples of extraordinary market conditions include economic, political unrest or instability, world events leading to market instability or closure of a relevant market(s).

Investment Strategy:

The Investment Manager's investment process makes use of hard and soft catalysts. An example of a hard catalyst would be in relation to a company that the Investment Manager believes is likely to pay a dividend in the future, the expectation of which is not yet reflected in its share price. A soft catalyst would include a demerger or management change that does not have a specific timeframe attached to it but that the Investment Manager believes may occur in the future. Catalysts provide the Investment Manager with specific investment case reassessment points for its investments.

As part of this approach, the Investment Manager aims to identify listed UK equities considered to be mispriced – both undervalued and overvalued – and take appropriate investment positions as these valuations revert to the Investment Manager's view of their fundamental value over time.

The Sub-Fund invests across all sectors and market capitalisations and will have differing biases from time to time as the opportunity set changes.

In addition to consideration of the market opportunity, a key criteria in the selection of investee companies particularly for companies of

mid to low market capitalisation is a good level of market liquidity of the investee company (i.e. buy and sell activity on the stock exchange) relative to the Sub-fund's investment.

Over time, the Sub-fund will experience varying degrees of correlation to the wider UK equity market due to the sub-Fund's use of leverage and changes in portfolio composition, as the Investment Manager considers, and reacts to, changes in risk levels of the investment universe, namely UK listed companies with a market capitalisation of over £100 million.

Investor Profile

The Fund is suitable for investors who are interested in specialised equity markets and who are aware of the risks. Investors must have experience with volatile products and be able to accept high temporary losses. The Fund is suitable for investors who can afford to set aside the invested capital for at least 5 years and who already have a widely diversified portfolio. Minimum investment criteria for this fund are further detailed below.

Comparator Benchmark:

The Investment Manager does not use any benchmark to determine, limit or constrain how the Sub-Fund's portfolio is constructed and managed for the achievement of its objectives.

However, the Sub-Fund has a target benchmark, which is the 4% Hurdle Rate, used in respect of the performance fee and further described below.

Initial Offer Price: £1

Final Accounting Date: 30 June

Interim Accounting Dates: 31 December

Income Distribution Dates: 31 August and 28 February

Shares Classes and type of Shares: Accumulation Class A

Valuation Point 12pm (UK Time) on every Dealing Day
Dealing Cut-Off 5pm on each Wednesday (UK Time) prior to the Valuation Point where that day is a Business Day. Where such day is not a Business Day the Dealing Cut-Off will be the 5pm on the previous Business Day.

Initial Charge N/A

| | | |
|---|--|--|
| Redemption Charge: | Nil | |
| Switching Charge: | Nil | |
| Annual Management Charge: | Class A – 1.00% | |
| Performance Fee Charge | Class A – 15% of any performance over a 4% hurdle and a high watermark, as set out below on page 72) | |
| Charges taken from Income: | Income | Capital |
| AMC: | 100% | Only where income is insufficient in the first instance. |
| Ongoing Operating Costs: | 100% | Only where income is insufficient in the first instance. |
| Dealing and Registration: | 100% | Only where income is insufficient in the first instance. |
| Depository: | 100% | Only where income is insufficient in the first instance. |
| Custody: | 100% | Only where income is insufficient in the first instance. |
| Portfolio Transactions (Broker's commission): | Nil | 100% |
| Investment Minima:* | | |
| Initial Investment: | Class A – £50,000 | |
| Subsequent Investment: | Class A – N/A | |
| Holding: | Class A – N/A | |
| Leverage | The Sub-fund will utilise borrowing and adhere to a maximum level of leverage, as follows: | |
| | Commitment Method: 250% (2.5:1) | |
| | Gross Method: 350% (3.5:1) | |
| Past Performance: | Past performance information is set out in Appendix V. | |
| | Past performance is not an indicator of future performance. | |

Performance Fee (YFS Kernow Equity Navigator Fund)

The following defined terms are used in relation to the Performance Fee for YFS Kernow Equity Navigator Fund only:

The Calculation Period: This refers to the annual accounting period of the Company (i.e. ending on 30 June) except for the first year which was from the launch of the Sub-fund to 30 June 2023.

Minimum performance requirement: This is the target price the Sub-fund has to obtain for the Investment Manager to be entitled to a performance fee for the Calculation Period. This is the greater of the Closing NAV of the prior calculation period or the closing High Watermark plus the associated Hurdle.

Hurdle: This is the performance required for the associated Fund to be entitled to start to accrue a performance fee. For YFS Kernow Equity Navigator Fund this is a 4% annual performance hurdle.

Dealing Day: A day on which the ACD carries out a valuation of the Scheme Property for the Sub-fund for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. This is on a weekly basis for the YFS Kernow Equity Navigator Fund.

High Watermark: This is the Highest Closing NAV at the end of any Calculation Period. If the Closing NAV at the end of a calculation period is higher this is reset to the Closing NAV otherwise the High Watermark carries forward as the Opening NAV for the Calculation Period.

Closing NAV – The Net Asset Value as at the end of the calculation period after expenses but before Performance fee calculation is applied.

Opening NAV - The Net Asset Value as at the end of the prior calculation period after Performance fee calculation has been applied.

Fund Performance – The Calculation of the Closing NAV less the Opening NAV then divided by the Opening NAV to derive the percentage performance for the Calculation period.

Net Percentage Outperformance – The net percentage outperformance in respect of Calculation Periods where Fund Performance is greater than the Hurdle Rate is the arithmetic difference between the Hurdle Rate and Fund Performance

Net Percentage Underperformance - In respect of Calculation Periods where Fund Performance is less than the Hurdle Rate, such underperformance, being the arithmetical difference between Fund Performance and the Hurdle Rate. Any negative Fund performance in this case will be carried forward.

Underperformance – Where Fund performance is negative in a Calculation Period this amount is referred to as the underperformance.

In respect of the Accumulation A Share Class of the YFS Kernow Equity Navigator Fund only, the ACD is entitled to charge, by way of remuneration of the Investment Manager, a performance related investment management fee (the "**Performance Fee**"). The Performance Fee is taken from the scheme property of the Fund and is based on the performance of the Fund since the start of the calculation period as against the minimum

performance requirement. The Performance Fee is calculated and payable after consideration of all other payments and is based on the following:

| Share Class | Performance Fee Rate % | Annual Hurdle rate |
|-----------------------|------------------------|--------------------|
| A Accumulation Shares | 15% | 4% |

When is a performance fee payable?

The Performance Fee will accrue daily but will (except in relation to redemptions as noted below) only become payable annually in arrears in respect of each annual period ending on 30 June each year (being a "Calculation Period"). The Performance Fee will accrue daily as if each day were the end of a Calculation Period. However, the first such Calculation Period was the period commenced on the Business Day immediately following the close of the initial offer period (as set out on page 67) and ended on 30 June 2023. Thereafter each Calculation Period will be each annual accounting period of the Fund.

How is the Performance Fee calculated?

On each Dealing Day, the NAV per Share is compared to the associated Opening NAV/High Watermark and Hurdle to establish any "Outperformance" or "Underperformance".

Any performance fee accrual is calculated as 15 per cent of the Outperformance per unit of the day's gross NAV per Class A Share (i.e. the Net Asset Value per Share before the deduction of the Performance Fee) multiplied by the weighted average number of Class A Shares.

The cumulative Performance Fee accruals from the beginning of the Calculation Period will be included in the ongoing calculation of the Net Asset Value of Class A Shares.

The amount of the Performance Fee will be calculated by the Administrator and verified by the ACD. As the Performance Fee depends on the performance of the Net Asset Value per Share of the Class in question, it is not possible to predict the amount of Performance Fee that will be payable. There is no limit to potential outperformance, accordingly there is no limit to the Performance Fee that could be payable and it is therefore impossible to quantify in advance.

There is no carry forward of the Hurdle Rate following any Calculation Period that represented an Underperformance.

The fund performance in respect of a Calculation Period is the arithmetical difference between the Net Asset Value per Share on the last Business Day of the current Calculation Period (the "**Closing NAV**") less the Net Asset Value on the last Business Day (the "**Opening NAV**") of the prior Calculation Period, expressed as a percentage of the Opening NAV (the "**Fund Performance**"). However, if the High Watermark is greater than the Opening NAV the Opening NAV is substituted by the High Watermark (as described below).

What is the value of the Performance Fee?

The amount of Performance Fee payable in respect of each Calculation Period is an amount equivalent to the:

Net Percentage Outperformance * 15% *Weighted Average Number of Shares

This will calculate the total Performance fee due which is applied to the final daily NAV Calculation.

Therefore, as the calculation shows, the ACD is entitled to charge a sum that represents the Performance Fee % relating to the relevant class of the positive Fund Performance in excess of the Hurdle Rate in respect of the relevant calculation period.

In calculating the Net Asset Value per Share for Performance Fee purposes no deduction is made on account of Performance Fees accrued in the Calculation Period and any dividends or income distributed to Shareholders during the Calculation Period are added back. All other payments and expenses are deducted before the performance fee is calculated.

The average number of Shares of the Sub-fund is calculated by taking the total number of Shares in issue in the Sub-fund on each day of a Calculation Period and dividing that by the number of days within that Calculation Period.

If on any Valuation Point where there is a net redemption of Shares which brings the Shares in issue below the weighted average number of Shares for the period then the average number of Shares will be reset to the current level (i.e. the number of Shares in issue after the redemption had been accounted for), thereby ensuring that the post-redemption performance fee accrued in the Fund is suitably reduced because of the reduction in the average number of Shares. This is deemed to be in the best interests of the continuing Shareholders in the Fund. Following such a redemption, a portion of the performance fee will be crystallised and payable to the Investment Manager. The amount will be determined by the reduction in Shares between the current Shares outstanding and the previous weighted average. An example of this is listed below:

Prior Shares in issues: 6,000,000

Weighted Average Shares: 5,500,000

Accrued Performance Fee: £55,000 (1p per Share)

Redemption of 1,000,000 Shares. Average Shares rebased to 5,000,000.

New Accrued Performance Fee: £50,000 (1p per Share)

Crystallised Performance Fee: £5,000 -

(Prior Day Weighted average Shares-Current Weighted averages Shares)*Per fee per Share

The performance of a Fund and payment of the Performance Fee is measured and determined by reference to the performance of a Fund in that Calculation Period only, however the Fund Performance is required to match or exceed its previous best performance in order for a Performance Fee to be payable, this is known as the "High Watermark". Where the Fund Performance matches or exceeds its previous best performance the High Watermark is increased to match this level, being the highest point at which the performance fee has crystallised.

Investors may request additional information on the way in which the Performance Fee calculation works from the ACD.

Worked examples of Performance Fee

The worked examples below illustrate the Performance Fee that the Investment Manager would earn in any one Calculation Period, and the effect this would have on the Net Asset Value of the Fund. All examples assume that the Performance Fee is charged at 15%.

Example 1:

Assuming:

- the Net Asset Value per Share on the first Business Day of the first Calculation Period is £1.0000, The High Watermark is therefore £1.0000;
- the Net Asset Value per Share on the last Business Day of the Calculation Period (before deduction for a Performance Fee) is £1.0800;
- the Hurdle is 4%; and
- the average number of Shares in issue during the Calculation Period is 50,000,000.

Then the Fund Performance is $(£1.0800 - £1.0000) / £1.0000 \times 100 = 8\%$;

The Hurdle Rate is 4%;

The Net percentage outperformance is $8\% - 4\% = 4\%$;

The Performance Fee payable for the Calculation Period is:

$$4\% \times 15\% \times 50,000,000 = 30,000,000p = £300,000$$

The High Watermark for the next Calculation Period is £1.07400 (£1.0800 after the deduction of £0.0060 for a Performance Fee).

Example 2:

Assuming:

- the Calculation Period in this example is that immediately following the one in example 1 above, the Net Asset Value per Share on the last Business Day of the previous Calculation Period (after the deduction of 0.6000p for a Performance Fee) is £1.0740, the High Watermark is also £1.0740;
- the Net Asset Value per Share on the last Business Day of this Calculation Period (before deduction for a Performance Fee) is £1.1600;
- the Hurdle Rate is 4%; and
- the average number of Shares in issue during the Calculation Period increases to 75,000,000.

Then the Fund Performance is $(£1.1600 - £1.0740) / £1.0740p \times 100 = 8.0074\%$;

The Hurdle Rate is 4%;

The Net percentage outperformance is $8.0074\% - 4\% = 4.0074\%$;

The Performance Fee payable for the Calculation Period is:

$$4.0074\% \times 15\% \times 75,000,000 = \text{£}450,832.50$$

The High Watermark for the next Calculation Period is $\text{£}1.1540$ ($\text{£}1.16$ after the deduction of $\text{£}0.0060$ for a Performance Fee).

Example 3:

Assuming:

- the Calculation Period in this example is that immediately following the one in example 2 above, the Net Asset Value per Share on the last Business Day of the previous Calculation Period (after the deduction of $\text{£}0.0060$ for a Performance Fee) is $\text{£}1.1540$;
- the Net Asset Value per Share on the last Business Day of this Calculation Period (before deduction for a Performance Fee) is $\text{£}1.1200$;
- the Hurdle Rate is 4%; and
- the average number of Shares in issue during the Calculation Period is 80,000,000.

Then the Fund Performance is $(\text{£}1.1200 - \text{£}1.1540) / \text{£}1.1540 = -2.9463\%$;

The Hurdle Rate is 4%;

The Fund Performance is negative and is below the High Watermark Net Asset Value of $\text{£}1.1540$ therefore there will be no Performance Fee payable.

The High Watermark for the next Calculation Period remains at $\text{£}1.1540$.

Example 4:

Assuming:

- the Calculation Period in this example is that immediately following the one in example 3 above, the Net Asset Value per Share on the last Business Day of the previous Calculation Period (after the deduction of $\text{£}0.0000$ for a Performance Fee) is $\text{£}1.1200$. However the High Watermark of $\text{£}1.1540$ is higher than Closing NAV so is taken for performance fee calculations;
- the Net Asset Value per Share on the last Business Day of this Calculation Period (before deduction for a Performance Fee) is $\text{£}1.2500$;
- the Hurdle Rate is 4%; and
- the average number of Shares in issue during the Calculation Period is 80,000,000.

Then the Fund Performance is $(£1.2500 - £1.1540) / £1.1540 = 8.3189\%$;

The Hurdle Rate is 4%;

The Net percentage outperformance is $8.3189\% - 4\% = 4.3189\%$;

$4.3189\% \times 15\% \times 80,000,000 = £518,266.90$

The High Watermark for the next Calculation Period is £1.2435 (£1.2500 after the deduction of £0.0065 for a Performance Fee).

Example 5:

Assuming:

- the Calculation Period in this example is that immediately following the one in example 4 above, the Net Asset Value per Share on the last Business Day of the previous Calculation Period (after the deduction of £0.0065 for a Performance Fee) is £1.2435, the High Watermark is £1.2435;
- the Net Asset Value per Share on the last Business Day of this Calculation Period (before deduction for a Performance Fee) is £1.0700;
- the Hurdle Level is 4%; and
- the average number of Shares in issue during the Calculation Period is 70,000,000.

Then the Fund Performance is $(£1.0700 - £1.2435) / £1.2435 = -13.9526\%$;

The Hurdle Rate is 4%;

The Fund Performance is negative and is below the high watermark Net Asset Value of £1.2435 therefore there will be no Performance Fee payable.

Example 6:

Assuming:

- the Calculation Period in this example is that immediately following the one in example 5 above, the Net Asset Value per Share on the last Business Day of the previous Calculation Period (after the deduction of £0.0000 for a Performance Fee) is £1.0700. However the High Watermark of £1.2435 is higher than Closing NAV so is taken for performance fee calculations;
- the Net Asset Value per Share on the last Business Day of this Calculation Period (before deduction for a Performance Fee) is £1.2500;
- the Hurdle Level is 4%; and
- the average number of Shares in issue during the Calculation Period is 65,000,000.

Then the Fund Performance is $(£1.2500 - £1.2435) / £1.2435 = 0.5227\%$; The Hurdle Rate is 4%;

The Net percentage outperformance is $0.5227\% - 4\% = -3.4773\%$;

The Fund performance is positive but there is no Net Percentage outperformance so no Performance fee is due. The High Watermark for the next Calculation Period is £1.2500 as the Final NAV is higher than the previous High Watermark.

Example 7:

Assuming:

- the Calculation Period in this example is that immediately following the one in example 6 above, the Net Asset Value per Share on the last Business Day of the previous Calculation Period is £1.2500, the High Watermark is £1.2500;
- the Net Asset Value per Share on the last Business Day of this Calculation Period (before deduction for a Performance Fee) is £1.4500;
- the Hurdle Level is 4%; and
- the average number of Shares in issue during the Calculation Period is 60,000,000.

Then the Fund Performance is $(£1.4500 - £1.2500) / £1.2500 = 16.0000\%$;

The Hurdle Rate is 4%;

The Net percentage outperformance is $16.0000\% - 4\% = 12.0000\%$;

$12.0000\% \times 15\% \times 60,00,000 = £1,080,000$

The High Watermark for the next Calculation Period is £1.4320 (£1.4500 after the deduction of £0.0180p for a Performance Fee).

Example 8:

Assuming:

- the Calculation Period in this example is that immediately following the one in example 7 above, the Net Asset Value per Share on the last Business Day of the previous Calculation Period is £1.4320, the High Watermark is £1.4320;
- the Net Asset Value per Share on the last Business Day of this Calculation Period (before deduction for a Performance Fee) is £1.5300;
- the Hurdle Level is 4%; and
- the average number of Shares in issue during the Calculation Period is

55,000,000. There was a redemption of 25,000,000 Shares in the period and the average number of Shares was reset in line with prospectus so as not to disadvantage the remaining Shareholders in the Sub-fund. The Performance Fee due on the redemption is crystallised (as the redemption reflected the Shares in issue dropping below the weighted average) and payable to the Investment Manager at the end of the calculation period,

Then the Fund Performance is $(£1.5300 - £1.4320) / £1.4320 \times 100 = 6.8436\%$;

The Hurdle Rate is 4%;

The Net percentage outperformance is $6.8436\% - 4\% = 2.8436\%$;

$2.8436\% \times 15\% \times 55,000,000 = £234,594.97$

The High Watermark for the next Calculation Period is £1.5257 (£1.5300 after the deduction of £0.0043 for a Performance Fee). *If the average number of Shares was not reset to reflect the large redemption the share price would drop to £1.5253 (based on an average of 60,000,000 shares).*

APPENDIX II

Eligible Securities Markets and Eligible Derivatives Markets

The Company may deal through securities and derivatives markets which are regulated markets (as defined in the glossary to the FCA Handbook) or markets established in the UK or an EEA State which are regulated, operate regularly and are open to the public.

The Company may also deal through the securities markets and derivatives markets indicated below.

| | |
|----|-----------------------------|
| UK | London Stock Exchange (LSE) |
|----|-----------------------------|

Eligible Derivatives Markets

| | |
|----|---|
| UK | EDX London ICE Futures Europe London Stock Exchange (LSE) |
|----|---|

APPENDIX III

Investment and Borrowing Powers of the Company

1. General

The Scheme Property of a Sub-fund will be invested with the aim of achieving the investment objective of that Sub-fund but subject to the limits set out in the Sub-fund's investment policy, this Prospectus and the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") that are applicable to non-UCITS retail schemes. These limits apply to each Sub-fund as summarised below.

Normally, a Sub-fund will be fully invested save for an amount to enable redemption of Shares, efficient management of a Sub-fund in relation to its strategic objective, the pursuit of a Sub-fund's investment objectives and other purposes which may be reasonably regarded as ancillary to the investment objectives of the Sub-funds.

This amount will vary depending upon prevailing circumstances and although it would normally not exceed 10% of the total value of a Sub-fund, there may be times when an Investment Manager considers stock markets to be overpriced or that a period of instability exists which presents unusual risks. In such cases or during such periods, a higher level of liquidity may be maintained and, if considered prudent, the amount of cash or near cash instruments held would be increased.

It is not intended that the Sub-funds will have any interest in any immovable property or tangible movable property.

1.1 Prudent spread of risk

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

1.2 Cover

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

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

1.2.2.1 it must be assumed that in applying any of those rules, a Sub-fund must also simultaneously satisfy any other obligation relating to cover; and

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

2. Non-UCITS retail schemes - general

- 2.1 Subject to the investment objective and policy of a Sub-fund, the Scheme Property must, except where otherwise provided in COLL 5 only consist of any or all of:
- 2.1.1 transferable securities;
 - 2.1.2 money-market instruments;
 - 2.1.3 units or shares in permitted collective investment schemes;
 - 2.1.4 permitted derivatives and forward transactions;
 - 2.1.5 permitted deposits;
 - 2.1.6 permitted immovables; and
 - 2.1.7 gold up to a limit of 10% in value of the Scheme Property of the Sub-funds.
- 2.2 Transferable securities and money-market instruments held within a Sub-fund must (subject to paragraph 2.2.4 of this Appendix) be:
- 2.2.1 admitted to or dealt on an eligible market as described below;
 - 2.2.2 be approved money-market instruments not admitted or dealt in on an eligible market below which satisfy the requirement of paragraph 8 in this Appendix;
 - 2.2.3 recently issued transferable securities provided that:
 - 2.2.3.1 the terms of issue include an undertaking that application will be made to be admitted on an eligible market; and
 - 2.2.3.2 such admission is secured within a year of issue.
 - 2.2.4 subject to a limit of 20% in value of the Scheme Property be:
 - 2.2.4.1 transferable securities which are not within 2.2.1 to 2.2.3; or
 - 2.2.4.2 money-market instruments which are liquid and have a value which can be determined accurately at any time.
- 2.3 The requirements on spread of investments generally and in relation to investment in government and public securities do not apply during any period in which it is not reasonably practical to comply, provided that the requirement to maintain prudent spread of risk in paragraph 1.1 of this Appendix is complied with.
- 2.4 Up to 5% of the Scheme Property of the Sub-funds may be invested in warrants.
3. **Eligible markets regime: purpose**
- 3.1 To protect investors the markets on which investments of a Sub-fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 3.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 20% restriction on investing in non approved securities

applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.

- 3.3 A market is eligible for the purposes of the rules if it is:
- 3.3.1 a regulated market as defined in the FCA Handbook; or
 - 3.3.2 a market in the UK or an EEA State which is regulated, operates regularly and is open to the public.
- 3.4 A market not falling within paragraph 3.3 of this Appendix is eligible for the purposes of COLL 5 if:
- 3.4.1 the ACD, after consultation and notification with the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
 - 3.4.2 the market is included in a list in the Prospectus; and
 - 3.4.3 the Depositary has taken reasonable care to determine that:
 - 3.4.3.1 adequate custody arrangements can be provided for the investment dealt in on that market; and
 - 3.4.3.2 all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 3.5 In paragraph 3.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
4. **Spread: general**
- 4.1 This paragraph does not apply in respect of a transferable security or an approved money-market instrument to which paragraph 5 applies.
- 4.2 The specific limits are set out as follows:
- 4.2.1 Not more than 20% in value of the Scheme Property of a Sub-fund is to consist of deposits with a single body.
 - 4.2.2 Not more than 10% in value of the Scheme Property of a Sub-fund is to consist of transferable securities or money-market instruments issued by any single body subject to COLL 5.6.23R (Schemes replicating an index).
 - 4.2.3 The limit of 10% in paragraph 4.2.2 above is raised to 25% in value of the Scheme Property of a Sub-fund in respect of covered bonds (none of the Sub-funds currently invest in covered bonds).
- 4.3 In applying paragraph 4.2.2, certificates representing certain securities are to be treated as equivalent to the underlying security.
- 4.4 Not more than 35% in value of the Scheme Property of a Sub-fund is to consist of the units or shares of any one collective investment scheme.

- 4.5 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the Scheme Property of a Sub-fund.
- 4.6 For the purpose of calculating the limit in paragraph 4.5, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:
- 4.6.1 it is marked-to-market on a daily basis and exceeds the value of the amount at risk;
 - 4.6.2 it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
 - 4.6.3 it is 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; and
 - 4.6.4 can be fully enforced by a Sub-fund at any time.
- 4.7 For the purposes of calculating the limits in paragraph 4.6, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 4.7.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive as amended, including any statutory equivalent which forms part of UK law by virtue of the EUWA; and
 - 4.7.2 are based on legally binding agreements.
- 4.8 In applying this paragraph (Spread: general), all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
- 4.8.1 it is backed by an appropriate performance guarantee; and
 - 4.8.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.
- 4.9 For the purposes of this rule companies included in the same group for the purposes of consolidated accounts as defined in section 399 of the Companies Act 2006, or in the same group in accordance with international accounting standards, are regarded as a single body.
- 5. Spread: government and public securities**
- 5.1 The following applies in respect of transferable securities or approved money-market instruments ("such securities") that are issued by:
- 5.1.1 the UK or an EEA State;
 - 5.1.2 a local authority of the UK or an EEA State;
 - 5.1.3 a non-UK or non-EEA State; or
 - 5.1.4 a public international body to which the UK or one or more EEA States belong.

- 5.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 5.3 The Company or any Sub-fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 5.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of a Sub-fund;
 - 5.3.2 no more than 30% in value of the Scheme Property of a Sub-fund consists of such securities of any one issue;
 - 5.3.3 the Scheme Property of a Sub-fund includes such securities issued by that or another issuer, of at least six different issues;
 - 5.3.4 the disclosures in the Prospectus required by the FCA have been made.
- 5.4 In relation to such securities:
- 5.4.1 issue, issuer and guarantor include guarantee, guaranteed and guarantor; and
 - 5.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 5.5 Notwithstanding paragraph 4.1 and subject to paragraph 4.2.1 and paragraph 4.9 above, in applying the 20% limit in paragraph 4.2.1 with respect to a single body, such securities issued by that body shall be taken into account.

6. **Investment in collective investment schemes**

- 6.1 Unless stated otherwise, up to 100% of the value of the Scheme Property of a Sub-fund may be invested in units or shares in other collective investment schemes ("Second Scheme") provided that the Second Scheme satisfies all of the requirements of paragraphs 6.1.1 to 6.1.5. For the YFS Kernow Equity Navigator Fund up to 10% of the value of the Scheme Property of the Sub-fund may be invested in units or shares in other collective investment schemes.
- 6.1.1 The Second Scheme must:
- 6.1.1.1 be a UCITS Scheme or a scheme which satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive as implemented in the EEA; or
 - 6.1.1.2 be authorised as a non-UCITS retail scheme; or
 - 6.1.1.3 be a recognised scheme; or
 - 6.1.1.4 be constituted outside the UK and have investment and borrowing powers which are the same or more restrictive than those of a non-UCITS retail scheme; or
 - 6.1.1.5 be a scheme not falling within paragraphs 6.1.1.1 to 6.1.1.4 and in respect of which no more than 20% in value

of the Scheme Property (including any transferable securities which are not approved securities) is invested.

- 6.1.2 The Second Scheme is a scheme which operates on the principle of the prudent spread of risk.
 - 6.1.3 The Second Scheme is prohibited from having more than 15% in value of the property of that scheme consisting of units or shares in collective investment schemes.
 - 6.1.4 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net value of the property to which the units or shares relate and determined in accordance with the scheme.
 - 6.1.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 6.1.2 to 6.1.4 and COLL 5.6.7 R (Spread: general) apply to each sub-fund as if it were a separate scheme.
- 6.2 A list of the locations of the establishment of any second schemes which the Company may invest in from time to time is shown in Appendix VI.
- 6.3 Investments may only be made in other collective investment schemes managed by the ACD or an Associate of the ACD if the Prospectus of the Company clearly states that the Sub-funds may enter into such investments and the rules on double charging contained in the COLL Sourcebook are complied with.
- 6.4 The Sub-funds may, subject to the limit set out in paragraph 6.1 above, invest in, or dispose of: (a) units in another collective investment scheme which is managed or operated by, or whose authorised corporate director is, the ACD of the Sub-funds or one of its Associates, or (b) units in another Sub-fund of the same umbrella of the Company, provided that the requirements of COLL 5.2.16(R) have been met in respect of that investment or disposal.
- 6.5 Where a substantial proportion of the Sub-fund's assets are invested in other collective investment schemes the maximum level of management fees that may be charged to the Sub-fund, and to the other collective investment schemes in which it invests, should not exceed 2.5% per annum plus VAT (if applicable).
- 7. Investment in nil and partly paid securities**
- 7.1 A transferable security or an approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by a Sub-fund, at the time when payment is required, without contravening the rules in COLL 5.
- 8. Investment in money-market instruments**
- 8.1 A Sub-fund may invest up to 100% in money-market instruments which are within the provisions of 2.2 above or 8.2 below and subject to the limit of 20% referred to in 2.2.4 above, which are normally dealt in or on the money-market, are liquid and whose value can be accurately determined at any time.
- 8.2 In addition to instruments admitted to or dealt in on an eligible market, a Sub-fund may invest in an approved money-market instrument provided it fulfils the following requirements:

- 8.2.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
 - 8.2.2 the instrument is issued or guaranteed in accordance with COLL 5.2.10BR.
- 8.3 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:
- 8.3.1 the instrument is an approved money-market instrument;
 - 8.3.2 appropriate information is available for the instrument (including Information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with COLL 5.2.10CR; and
 - 8.3.3 the instrument is freely transferable.

9. **Derivatives: general**

Under the FCA Rules derivatives are permitted for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objectives or both. **The YFS Kernow Equity Navigator Fund currently intends to use scheme property to invest in derivatives and forward transactions for investment purposes.** The Investment Manager may also employ derivatives for the purposes of hedging with the aim of reducing the risk profile of the Sub-funds, or reducing costs, or generating additional capital or income, in accordance with Efficient Portfolio Management. It is not intended that the use of derivatives to reduce costs or generate additional capital or income will cause the risk profile of the Sub-funds to change.

- 9.1 A transaction in derivatives or a forward transaction must not be effected for a Sub-fund unless the transaction is of a kind specified in paragraph 11 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by paragraph 18 (Cover for transactions in derivatives and forward transactions).
- 9.2 Where a Sub-fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread (COLL 5.6.7R Spread: general, COLL 5.6.8R Spread: government and public securities) except for index based derivatives where the rules in 9.6 apply.
- 9.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 9.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
 - 9.4.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

- 9.4.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
 - 9.4.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 9.5 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.
- 9.6 Where a Sub-fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.23R (Schemes replicating an index) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R.

10. **Efficient Portfolio Management**

- 10.1 The Company may utilise the Scheme Property to enter into transactions for the purposes of Efficient Portfolio Management ("EPM"). Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for differences resembling options; or synthetic futures in certain circumstances. The ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs and/or to the generation of additional capital or income for the Company with a risk level which is consistent with the risk profile of the Company and the risk diversification rules laid down in COLL. The exposure must be fully "covered" by cash and/or other property sufficient to meet any obligation to pay or deliver that could arise.
- 10.2 Permitted transactions are those that the Company reasonably regards as economically appropriate to EPM, that is:
- 10.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or
 - 10.2.2 Transactions for the generation of additional capital growth or income for a Sub-fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:
 - 10.2.2.1 pricing imperfections in the market as regards the property which a Sub-fund holds or may hold; or
 - 10.2.2.2 receiving a premium for the writing of a covered call option or a cash covered put option on property of a Sub-fund which the Company is willing to buy or sell at the exercise price, or
 - 10.2.2.3 stock lending arrangements.

A permitted arrangement in this context may at any time be closed out.

10.3 Transactions may take the form of “derivatives transactions” (that is, transactions in options, futures or contracts for differences) or forward currency transactions. A derivatives transaction must either be in a derivative which is traded or dealt in on an eligible derivatives market (and effected in accordance with the rules of that market), or be an off-exchange derivative which complies with the relevant conditions set out in the COLL Sourcebook, or be a “synthetic future” (i.e. a composite derivative created out of two separate options). Forward currency transactions must be entered into with counterparties who satisfy the COLL Sourcebook. A permitted transaction may at any time be closed out.

11. **Permitted transactions (derivatives and forwards)**

11.1 A transaction in a derivative must be:

11.1.1 in an approved derivative; or

11.1.2 be one which complies with paragraph 15 (OTC transactions in derivatives).

11.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Sub-fund is dedicated:

11.2.1 transferable securities;

11.2.2 money-market instruments;

11.2.3 deposits;

11.2.4 permitted derivatives under this paragraph;

11.2.5 collective investment scheme units permitted under paragraph 6 (Investment in collective investment schemes);

11.2.6 permitted immovables;

11.2.7 gold;

11.2.8 financial indices which satisfy the criteria set out in COLL 5.2.20R;

11.2.9 interest rates;

11.2.10 foreign exchange rates; and

11.2.11 currencies.

11.3 The exposure to the underlyings in paragraph 11.2 above must not exceed the limits in paragraphs 4 and 5 above.

11.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.

11.5 A transaction in a derivative must not cause a Sub-fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.

11.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of transferable securities, money-

market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 14.2 are satisfied.

11.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.

12. **Financial indices underlying derivatives**

12.1 The financial indices referred to in paragraph 12.3 are those which satisfy the following criteria:

12.1.1 the index is sufficiently diversified;

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

12.1.3 the index is published in an appropriate manner.

12.2 A financial index is sufficiently diversified if:

12.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

12.2.2 where it is composed of assets in which a Sub-fund 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 Appendix; and

12.2.3 where it is composed of assets in which a Sub-fund 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 Appendix.

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

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

12.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

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

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

12.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

12.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

12.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 12.3 be regarded as a combination of those underlyings.

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

13.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of a Sub-fund may be entered into only if that property can be held for the account of a Sub-fund, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

14. **Requirement to cover sales**

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

14.2 The above does not apply where:

14.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

14.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property of a Sub-fund which falls within one of the following asset classes:

14.2.2.1 cash;

14.2.2.2 liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

14.2.2.3 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).

14.3 In the asset classes referred to in paragraph 14.2, 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.

15. **OTC transactions in derivatives**

15.1 Any transaction in an OTC derivative under paragraph 11.1.2 must be:

15.1.1 in a future or an option or a contract for differences

15.1.2 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any

requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange; a CCP that is authorised in that capacity for the purposes of EMIR; a CCP that is recognised in that capacity in accordance with the process set out in article 25 of EMIR; or to the extent not already covered, a CCP supervised in a jurisdiction that has implemented the relevant G20 reforms on OTC derivatives to at least the same extent as the United Kingdom and is identified as having done so by the Financial Stability Board in its summary report on progress in implementation of G20 regulatory reforms dated 25 June 2019;

- 15.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, the ACD carries out, at least daily, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely only on market quotations by the counterparty and can enter into one or more further transaction to sell, liquidate or close out that transaction at any time, at a fair value; and
 - 15.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy:
 - 15.1.4.1 on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or
 - 15.1.4.2 if the value referred to in paragraph 15.1.4.1 is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and
 - 15.1.5 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:
 - 15.1.5.1 an appropriate third party which is independent from the counterparty of the derivative at an adequate frequency and in such a way that the ACD is able to check it; or
 - 15.1.5.2 a department within the ACD which is independent from the department in charge of managing the Scheme Property of a Sub-fund and which is adequately equipped for such a purpose.
- 15.2 For the purposes of paragraph 15.1.3, "fair value" is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
16. **Risk management**
- 16.1 The ACD uses a risk management process, enabling it to monitor and measure as frequently as appropriate the risk of a Sub-fund's positions and their contribution to the overall risk profile of a Sub-fund.
17. **Total return swaps (contracts for difference)**

- 17.1 Total return swaps are agreements under which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the total return (including both the income it generates and any capital gains) of an underlying asset (for example, an individual equity or stock market index). In this way, a party can gain the economic exposure of the underlying asset without actually owing that asset.
- 17.2 The specific types of total return swaps permitted in this section are swaps on individual UK listed equities or a basket of UK listed equities.
- 17.3 The total return swaps permitted by this section may be exercised only by YFS Kernow Equity Navigator Fund. The Sub-fund is not permitted to enter into repurchase or reverse repurchase transactions, buy-sell back or sell-buy back transactions (each within the meaning of, and under the conditions set out in, applicable laws and regulations issued from time to time, in particular, but not limited to, the Regulation on Transparency of Securities Financing Transactions (EU) 2015/2365).
- 17.4 The Sub-fund is permitted to enter into securities lending transactions but does not currently do so.
- 17.5 The ACD's derivatives policy states that both exchange traded derivatives and over-the-counter derivatives must be traded with approved counterparties.
- 17.5.1 New counterparties are approved after a review that covers the legal status of the proposed counterparty, an assessment of the operational risk and credit risk associated with that counterparty and any other material considerations and it must have the minimum required credit rating.
- 17.5.2 Trading must occur in approved derivative instruments and the arrangements must be governed by appropriate legal documentation.
- 17.6 The maximum proportion of the assets under management of each of the Sub-funds in question that can be subject to total return swaps is:
- YFS Kernow Equity Navigator Fund: 100% on a notional basis.
- 17.7 The expected proportion of the assets under management of each of the Sub-funds in question that can be subject to total return swaps is:
- YFS Kernow Equity Navigator Fund: 40% on a notional basis.
- 17.8 The counterparties of these transactions will be highly rated financial institutions specialising in these types of transactions and approved by the Investment Manager. Counterparties will normally carry a minimum BBB/Baa1 rating from at least one of Fitch, Moody's and S&P. The counterparties will be entities with legal personality, typically located in OECD jurisdictions and generally limited to the major financial institutions in leading economies. They will be subject to ongoing supervision by a public authority and be financially sound. A counterparty may be an associate of the ACD or the Investment Manager which may give rise to a conflict of interest.
- 17.9 All revenues arising from total return swaps will be returned to the Sub-fund, and the ACD does not take any fees or costs out of those revenues additional to its periodic charge on the Scheme Property of the Sub-fund as set out in more detail above.

18. Investments in deposits

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

19. Cover for transactions in derivatives and forward transactions

19.1 A Sub-fund may invest in derivatives and forward transactions as long as the exposure to which a Sub-fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

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

19.3 A future is to be regarded as an obligation to which a Sub-fund 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 Sub-fund 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).

19.4 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

19.5 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.

19.6 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

19.7 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.

19.8 Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

19.9 The global exposure relating to derivatives held in a Sub-fund may not exceed the net value of the Scheme Property.

20. Borrowing

20.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under paragraph 18 of this Appendix as long as the normal limits on borrowing (see below) are observed.

20.2 Where, for the purposes of this paragraph the Company borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under paragraph 23 (General power to borrow) of this Appendix do not apply to that borrowing.

21. **Cash and near cash**

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

21.1.1 the pursuit of a Sub-fund's investment objectives; or

21.1.2 the redemption of Shares; or

21.1.3 efficient management of a Sub-fund in accordance with its investment objectives; or

21.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of a Sub-fund.

22. **General**

22.1 It is envisaged that a Sub-fund will normally be fully invested but there may be times that it is appropriate not to be fully invested when the ACD reasonably regards this as necessary in order to enable the redemption of Shares, efficient management of a Sub-fund or any one purpose which may reasonably be regarded as ancillary to the investment objectives of a Sub-fund.

22.2 Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an Associate of the ACD, the ACD must pay to the Company by the close of business on the fourth Business Day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

22.3 A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by a Sub-fund but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

23. **Underwriting**

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

24. **General power to borrow**

24.1 The ACD may, on the instructions of the Company and subject to the COLL Sourcebook, borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Company to comply with any restriction in the Instrument of Incorporation.

24.2 The ACD must ensure that borrowing does not, on any Business Day, exceed 10% of the value of each Sub-fund.

24.3 These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

25. **Restrictions on lending of money**

25.1 None of the money in the Scheme Property may be lent and, for the purposes of this paragraph, money is lent by the Company if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

25.2 Acquiring a debenture is not lending for the purposes of paragraph 24.1 nor is the placing of money on deposit or in a current account.

26. **Restrictions on lending of property other than money**

26.1 Scheme Property other than money must not be lent by way of deposit or otherwise.

26.2 Nothing in this paragraph prevents the Company or the Depositary at the request of the Company from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5.

26.3 Where transactions in derivatives or forward transactions are used for the account of the Company in accordance with COLL 5, nothing in this paragraph prevents the Company or the Depositary at the request of the Company: from lending, depositing, pledging or charging its Scheme Property for margin requirements; or transferring Scheme Property under the terms of an agreement in relation to margin requirements, provided that the ACD reasonably considers that both the agreement and the margin arrangements made under it (including in relation to the level of margin) provide appropriate protection to Shareholders.

27. **General power to accept or underwrite placings**

27.1 Any power in COLL 5 to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation. This section applies, to any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Sub-fund.

27.2 This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.

27.3 The exposure of a Sub-fund to agreements and understandings as set out above, on any Business Day be covered and be 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 the COLL Sourcebook.

28. **Guarantees and indemnities**

28.1 The Company or the Depositary for the account of the Company or a Sub-fund must not provide any guarantee or indemnity in respect of the obligation of any

person.

- 28.2 None of the Scheme Property of a Sub-fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.
- 28.3 Paragraphs 27.1 and 27.2 do not apply in respect of a Sub-fund to any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with COLL 5, and:
- 28.3.1 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;
 - 28.3.2 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and
 - 28.3.3 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of a Sub-fund and the holders of Shares in that scheme become the first Shareholders in a Sub-fund.

APPENDIX IV

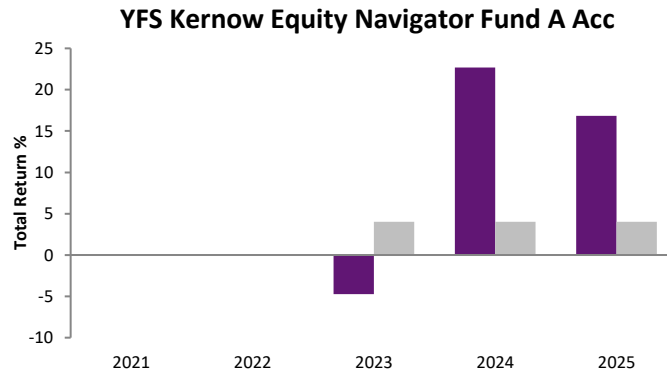
List of Funds for which the ACD currently acts as Authorised Fund Manager

| |
|---|
| AETOS Fund |
| Bedin 1 Fund |
| Benton Investment Fund |
| Blainways Fund |
| Countess Fund |
| Electric & General Investment Fund |
| Freesia Fund |
| HavenRock Fund |
| Juno Fund |
| La Scala Fund |
| Lorimer Trust |
| Marley Investment Fund |
| Merrijig Fund |
| MFH Investment Funds |
| Percy Street Long Term Equity Fund |
| Rosetta Investment Funds ICVC |
| Sandalwood Umbrella Fund |
| Silvis Fund |
| Spectra 2 Investment Funds (NURS) |
| Spectra Investment Funds (UCITS) |
| Stella Globally Managed Fund |
| The Aspen Fund |
| The Broadreach Fund |
| The Edenbeg Fund |
| The First Ilona Open-Ended Investment Company |
| The Gordon Fund |
| The Independence Trust |
| The Journey Investment Funds Umbrella |
| The Lowesby Investment Umbrella Fund |
| The Lundy Fund |
| The Phase Investment Fund |
| The Shakespeare Head Fund |
| The Spud Fund |
| The Walnut Fund |
| The Welldry Fund |
| The Wyke Fund |
| The YFS Collidr Multi-Asset Fund |
| The YFS Quercus Unit Trust |
| YFS Argonaut Funds |
| YFS Balanced Return Fund |
| YFS Charteris UK UCITS ICVC |
| YFS Chawton Investment Funds |
| YFS Golden Leaves Global Balanced Unit Trust |
| YFS Golden Leaves International Unit Trust |
| YFS Hawksbill European Fund |
| YFS Intelligent Wealth Investment Funds ICVC |
| YFS JM Finn Portfolios |
| YFS Kernow Investment Funds ICVC |
| YFS Knox Investment Funds ICVC |
| YFS One Newgate Investment Funds |
| YFS Saranac Fund Management Umbrella |
| YFS Sterling Select Companies Fund |
| YFS Vermeer Partners Portfolio Funds |

APPENDIX V

Past Performance

Owing to the launch date of the YFS Kernow Equity Navigator Fund, past performance is currently available for the 2023 Calendar year onwards and is shown below:



| | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|------|------|-------|-------|-------|
| YFS Kernow Equity Navigator Fund A Acc | | | -4.74 | 22.70 | 16.85 |
| Target Benchmark 4% Hurdle Rate | | | 4.00 | 4.00 | 4.00 |

Mid-to-mid basis, net income re-invested
Source: FE Fund Info and Yealand Fund Services Limited

Past performance should not be seen as an indication of future performance.

NOTE: Please see Appendix I for the Fund's investment objective and policy.

APPENDIX VI

Directory

| | |
|---|---|
| The Company and Head Office: | YFS Kernow Investment Funds ICVC Fountain Suite B, Lynch Wood Park, Peterborough, Cambridgeshire PE2 6FZ |
| Authorised Corporate Director: | Yealand Fund Services Limited Fountain Suite B, Lynch Wood Park, Peterborough, Cambridgeshire PE2 6FZ |
| Depository: | NatWest Trustee & Depository Services Limited 250 Bishopsgate, London, EC2M 4AA |
| Investment Manager: | Kernow Asset Management Limited 1st Floor, Great Stable, Treloarwarren, Helston, Cornwall, TR12 6AF |
| Administrator and Fund Accountant: | Yealand Fund Services Limited Fountain Suite B, Lynch Wood Park, Peterborough, Cambridgeshire PE2 6FZ |
| Registrar: | Yealand Fund Services Limited Fountain Suite B, Lynch Wood Park, Peterborough, Cambridgeshire PE2 6FZ |
| Sub-Custodian: | CACEIS Bank, UK Branch Broadwalk House, 5 Appold Street, London, EC2A 2DA |
| Auditors: | Moore Kingston Smith LLP 10 Orange St, London WC2H 7DQ |
| The Financial Conduct Authority (FCA): | 12 Endeavour Square, London E20 1JN |