

**SWIP FUND MANAGEMENT LIMITED**

# **PROSPECTUS**

**(NON-UCITS RETAIL UNIT TRUST)**

**SCOTTISH WIDOWS INVESTMENT PARTNERSHIP PROPERTY TRUST**

**1 November 2011**

**Prospective investors should check with the Manager that this is the most current version of this document available and that no revisions or corrections have been made since this version was issued.**

*Prepared in accordance with*

**the Collective Investment Schemes Sourcebook (“the FSA Rules”) issued by the Financial Services Authority pursuant to the Financial Services and Markets Act 2000 (as amended)**

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# DEFINITIONS

"Associate"	has the meaning ascribed thereto in the FSA's Handbook of rules
"the Act"	The Financial Services and Markets Act 2000 (as amended)
"CASS Rules"	the rules contained in the FSA's Client Assets Sourcebook as part of their Handbook of rules made under the Act, as amended or replaced from time to time, which shall, for the avoidance of doubt, not include guidance or evidential provisions contained in the said Sourcebook;
"FSA" or "Financial Services Authority"	The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS
"the Manager"	SWIP Fund Management Limited
"the Investment Adviser"	Scottish Widows Investment Partnership Limited ("SWIP")
"the Property Manager"	Jones Lang LaSalle Limited
"Prospectus"	a prospectus relating to the Trust prepared pursuant to the requirements of COLL 4 of the FSA Rules
"Scheme Property"	the capital property and income property of the Trust
"the sub-Custodian"	State Street Bank and Trust Company
"the Standing Independent Valuer"	CB Richard Ellis Limited
"SWIP"	Scottish Widows Investment Partnership Limited
"the FSA Rules"	The rules contained in the Collective Investment Schemes sourcebook ("COLL") published by the FSA as part of their Handbook of rules made under the Act, as amended or replaced from time to time
"HMRC"	HM Revenue & Customs
"the Trust"	Scottish Widows Investment Partnership Property Trust
"the Trustee"	National Westminster Bank Plc
"Trust Deed"	The deed of trust constituting the Trust dated 22 October 2004 (as amended)

Words and expressions which are defined in, or for the purposes of, the Act or the FSA Rules, have the same meanings where they are used in this Prospectus (except where inconsistent with the context) and any references to any statute or statutory instrument or other regulation shall be deemed to include a reference to such statute, or statutory instrument, or other regulation, as from time to time amended and to any codification, consolidation or re-enactment thereof, as from time to time in force.

## 1. THE MANAGER

The Manager of the Trust is SWIP Fund Management Limited, a company limited by shares incorporated on 20 March, 1946 in England and Wales under the Companies Act 1929. Its ultimate holding company is Lloyds Banking Group plc, a company incorporated in Scotland. The Manager's registered office is at 33 Old Broad Street, London EC2N 1HZ. The Manager's head office is at Edinburgh One, 60 Morrison Street,

Edinburgh EH3 8BE and the correspondence address is BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG. The issued share capital of the Manager consists of 4,050,001 ordinary shares of £1 each, all of which are paid up. The names of the directors of the Manager, together with a note of any significant activities of the directors not connected with the business of the Manager as set out in Schedule 1.

The Manager is authorised and regulated by the Financial Services Authority.

The Manager is responsible for managing and administering the Trust's affairs in compliance with the FSA Rules. The Manager may delegate certain of its functions, including investment management, administration and marketing. Notwithstanding any such delegation, the Manager remains responsible for any functions so delegated. At present certain functions are currently delegated as detailed below.

The fees and any payments out of Scheme Property to which the Manager is entitled are set out in Section 15.

Section 23 sets out the details of the capacity in which the Manager acts in relation to any other regulated collective investment schemes and the names of such schemes.

## **2. THE TRUSTEE**

The Trustee of the Trust is National Westminster Bank Plc, a public company incorporated in England & Wales with limited liability on 18 March 1968 under the Companies Acts. The ultimate holding company is The Royal Bank of Scotland Group plc, which is incorporated in Scotland.

Its registered office is at 135 Bishopgate, London EC2M 3UR. The address which should be used for correspondence is Trustee & Depository Services, The Broadstone, and 50 South Gyle Crescent Edinburgh EH12 9UZ.

The principal business activity of the Trustee is banking. It is authorised and regulated by the Financial Services Authority and is authorised to carry on investment business in the United Kingdom by virtue of such membership.

The Trustee has delegated the custody of the moveable assets of the Trust to State Street Bank and Trust Company, 20 Churchill Place, Canary Wharf, London E14 5HJ ("the sub-Custodian"). The Trustee shall be responsible for the safekeeping of the immovable assets of the Trust.

## **3. INVESTMENT ADVISER**

The Investment Adviser of the Manager in relation to the Trust is SWIP. SWIP's registered office is at 33 Old Broad Street, London EC2N 1HZ and its head office is at Edinburgh One, 60 Morrison Street, Edinburgh EH3 8BE. SWIP is a member of the group of companies of which the Manager is also a member. The principal activity of SWIP is investment management. The Manager has entered into an investment management agreement with SWIP ("the Agreement"). SWIP has full authority to manage and make purchases and sales of investments for the Trust on behalf of the Manager in accordance with and subject to the investment objective and policy of the Trust as varied from time to time and any directions or instructions given from time to time by the Manager. The fees payable to SWIP in terms of the Agreement shall be calculated in accordance with a scale of charges agreed from time to time. All such fees are payable by the Manager and are not charged directly to the Trust. While no commission is payable to SWIP for any investment deal done or which could be done on behalf of the Trust the Investment Adviser may receive other payments for ancillary services rendered including commission which may be payable in respect of arranging reinstatement and loss of rent insurance together with other forms of insurance. SWIP is authorised to enter into arrangements with third parties regarding the use of dealing commission to purchase/receive goods and/or services that relate to the execution of trades or the provision of research and has in fact entered into a number of such arrangements.

Section 15 sets out the detail of other permitted expenses in respect of the investment of the scheme property under the heading "Fees and Charges".

The Agreement reflects the requirements of COLL 6.6.15 of the FSA Rules relating to termination and otherwise shall be continued until terminated without penalty at any time by either party giving three months' notice.

SWIP is authorised and regulated by the Financial Services Authority.

### **3.1 The Property Manager**

The Investment Adviser has appointed Jones Lang LaSalle Limited of 22 Hanover Square, London as the Property Manager of the Trust.

## **4. AUDITOR**

The Auditors of the Trust are PricewaterhouseCoopers LLP of Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH.

## **5. THE REGISTRAR**

The Manager has delegated the function of registrar to The Bank of New York Mellon (International) Limited of BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG. The register of unitholders and any plan sub-register in respect of the Trust can normally be inspected free of charge by or on behalf of any unitholder at BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG during ordinary office hours. A unitholder or his authorised representative may request a copy of the entries on the register relating to his unitholding and the Registrar shall provide these free of charge.

The Registrar's appointment is governed by an agreement dated 10 July 2007 between the Manager and Mellon Bank N.A. ("the Administration Services Agreement") which was novated to The Bank of New York Mellon (International) Limited by a novation agreement dated 1 July 2008 ("the Novation Agreement").

The Administration Services Agreement may be terminated at any time on or after 5 years from the date it became effective.

## **6. STANDING INDEPENDENT VALUER**

The Standing Independent Valuer of the Trust is CB Richard Ellis Limited of St Martin's Court, 10 Paternoster Row, London EC4M 7HP. The Standing Independent Valuer is responsible for valuing the immovable property of the Trust in accordance with the FSA Rules. The Manager has entered into an agreement with the Standing Independent Valuer. The agreement provides inter alia for a standing three year appointment but otherwise may be terminated by either party on giving notice of six months. The Standing Independent Valuer is entitled to receive fees out of the Scheme Property for services rendered in relation to the valuation of the immovable of the Trust.

The Standing Independent Valuer is independent of the Trustee and the Manager. To the extent that there may be a conflict of interest to a transaction being carried out on behalf of the Trust, an appropriate valuer, in terms of the FSA Rules, would be appointed.

## **7. ADMINISTRATION**

All administration functions are delegated to the Registrar and the Investment Adviser (with sub-delegation of certain functions to State Street Bank and Trust Company).

## **8. MARKETING LITERATURE**

The production of marketing literature is delegated to the Investment Adviser.

## **9. CUSTODY**

The Trustee has delegated the custody of some of the assets of the Trust, namely the moveable assets, to State Street Bank and Trust Company, who will act as custodian ("the sub-Custodian") in relation thereto. The arrangements prohibit State Street Bank and Trust Company as such sub-Custodian from releasing documents evidencing title to such assets into the possession of a third party without the consent of the Trustee. The sub-Custodian is entitled to receive fees out of the Scheme Property for bank or other charges

(including transaction charges) in relation to the safe custody of moveable assets.

In relation to the immovable assets of the Trust, the Trustee will act as custodian in relation thereto.

## 10. CONSTITUTION, INVESTMENT OBJECTIVE, POLICY AND OTHER DETAILS OF THE TRUST

The Trust is an authorised unit trust scheme and is a non-UCITS Retail Scheme under COLL 1.2.1R of the FSA Rules. The Trust was established on 22 October 2004 and was authorised on 24 October 2004.

Investment of the assets of the Trust must be in accordance with the investment objective and policy of the Trust and must comply with the restrictions and requirements set out in the FSA Rules. Details of the Trust's investment objective and policy are set out in Schedule 6. A summary of the general investment and borrowing restrictions applicable to the Trust is set out in Schedule 3. The eligible securities markets and derivatives markets are set out in Schedule 5, and the countries and territories in which Scheme Property may be held are set out in Schedule 4.

## 11. THE CHARACTERISTICS OF UNITS

More than one class of unit may be issued in respect of the Trust. The following classes of unit may be made available:

Class A	Designated in Sterling	Net accumulation <sup>^</sup>
Class A	Designated in Sterling	Net income <sup>^</sup>
Class B	Designated in Sterling	Net accumulation <sup>^</sup>
Class B	Designated in Sterling	Net income <sup>^</sup>
Class X *	Designated in Sterling	Net accumulation
Class X *	Designated in Sterling	Net income

### Notes:

<sup>^</sup> Indicates those classes of units available as at the date of this Prospectus. The Manager may, at its entire discretion, make the other unit classes available at any time.

\* These classes of units are not available to any person other than:

- (a) institutional investors who have entered into a separate agreement with the Manager or an Associate of the Manager; or
- (b) a person to whom the Manager at its entire discretion has determined that such units may be made available.

Schedule 6 contains a description of the classes of units currently available in respect of the Trust as at the date of this Prospectus. New unit classes may be established from time to time, subject to compliance with the FSA Rules. If a new unit class is introduced, a new Prospectus will be prepared to set out the required information in relation to that class.

Each class of unit may attract different charges and expenses and so monies may be deducted from classes in unequal proportions. In these circumstances the proportionate interests of the classes will be adjusted in accordance with the terms of issue of those classes. Also, each class may have its own investment minima or other features, at the discretion of the Manager. Any such different features are set out above and in Schedule 6.

### TYPES OF UNIT

A net income unit entitles the unitholder at each income allocation date to payment of the net income earned (calculated in accordance with the FSA Rules) and attributable to the unit. The income attributable to a net accumulation unit is automatically reinvested and reflected in the unit price. An income unit always represents one undivided share in the property of the Trust. An accumulation unit represents a number of undivided shares in the property of the Trust which increases with the capitalisation of net income which takes place at the end of each interim (if there is one) or annual accounting period. The unitholders of each

type of unit are entitled to participate in the property of the Trust and the income thereof pari passu with other unitholders of the same type of unit.

Subject to certain restrictions, Unitholders are entitled to switch all or part of their units of one class for units of another class. Details of how to switch are set out in Section 13.

The register of unitholders for the Trust is conclusive evidence of the title to units except in the case of any default in payment or transfer to the Trust of cash or other property due. The Trustee and the Manager are not obliged to take notice of any trust or equity or other interest affecting the title to any of the units.

The nature of the rights of the unitholders represented by the units is that of a beneficial interest under a trust.

## **12. VALUATION OF PROPERTY**

### **HOW AND WHEN THE TRUST IS VALUED**

The Trust has been established as a single-priced authorised unit trust (meaning subject to any SDRT provision, the preliminary charge or any dilution adjustment (see Section 16), the sale and redemption price of a unit at a particular valuation point will be the same).

The property of the Trust will normally be valued at 12 noon UK time on each business day (being a day on which the London Stock Exchange is open for trading) for the purpose of determining the price at which units in the Trust may be purchased from or redeemed by the Manager, and at other times permitted by the FSA Rules.

In the event that, for any reason, the Manager is unable to value the Trust at the normal time, the unit price effective from that time will be calculated using the earliest available valuation thereafter.

The Manager may determine that, for the purpose of valuing the property of the Trust, any business day so defined shall not be a business day. Such determination would generally be made in respect of a particular day if that day were a holiday on a Stock Exchange which was the principal market for a significant portion of the Trust's portfolio of securities or was a holiday elsewhere which impeded the calculation of the fair market value of the portfolio securities of the Trust or a significant portion thereof.

The Manager may carry out additional valuations of the property of the Trust if this is considered desirable or is required by the FSA Rules.

The real estate held within the Trust is valued by the Standing Independent Valuer on the basis of a full valuation with physical inspection (including, where the property is a building, internal inspection) once a year. The Standing Independent Valuer also values each immovable on the basis of a review of the last full valuation, at least once a month. The figure arrived at under that valuation is used as part of the valuation for the whole Trust calculated once each business day for the following month. As at the date of this Prospectus, any valuation of an immovable by the Standing Independent Valuer must be undertaken in accordance with UKPS 2.3 of the RICS Valuation Standards (The Red Book) (6<sup>th</sup> edition published January 2008), or in the case of overseas immovables (if any) on an appropriate basis, but subject to COLL 6.3 of the FSA Rules (Valuation and pricing). Where the Manager, the Trustee or the Standing Independent Valuer have reasonable grounds to believe that the most recent valuation of an immovable does not reflect the current value of that immovable, the Manager should consult and agree with the Standing Independent Valuer a fair and reasonable value for the immovable.

Information regarding the calculation of the net asset value of the Trust is set out in Schedule 2.

### **PRICES OF UNITS**

The Manager will, on the completion of the valuation of the Trust, advise the Trustee of the price. The price of each unit of any class will be calculated by reference to the proportion attributable to a unit of that class of the net asset value of the property of the Trust by:

- taking the proportion attributable to the units of the class concerned of the net asset value as at the relevant valuation point;
- dividing the result by the number of units of the relevant class in issue immediately before the

valuation point concerned;

- increasing or decreasing the result by any dilution adjustment determined by the Manager (as described in Section 16)

Information regarding the calculation of the net asset value of the Trust and the apportionment of that net asset value between each class of unit is set out in Schedule 2.

Units of each class will be sold and redeemed on the basis of forward prices, being prices calculated by reference to the next valuation point after the sale or redemption is agreed.

The amount payable on the purchase of a unit will equal the sum of the price of the unit calculated on the basis set out above, any preliminary charge, and any SDRT provision. The amount received on the redemption of a unit will equal the price per unit calculated on the basis set out above less the aggregate of, any redemption charge and any SDRT provision.

The most recent price of units in issue is available at [www.swip.com](http://www.swip.com) and by telephoning 0800 336600 between 08.30 and 17.30 Monday to Friday. There will be no charge for calls to this number.

Units are issued on a forward price basis and not on the basis of published prices.

### **13. THE SALE, REDEMPTION AND SWITCHING OF UNITS**

The Manager will normally be available between 08.30 and 17.30 UK time on business days in England and Wales to receive requests for the sale and redemption of units. The Manager will not normally be available on any other day on which London Stock Exchange is not open for trading.

For the purpose of dealing in units in the Trust, all investors will be regarded as retail clients. This does not however restrict the unit class that can be invested into nor determine whether investors will be eligible complainants or eligible claimants for the purposes of FSA complaints and compensation rules.

Subject to any requirement the Manager may have to carry out an additional valuation in accordance with the FSA Rules, the normal valuation point for the Trust will be 12 noon UK time on each dealing day. In the event that, for any reason, the Manager is unable to value the Trust at the normal time, the unit prices effective from that time will be calculated using the earliest available valuation thereafter. All requests will be transacted on a "forward" basis, i.e. at the next price calculated following receipt of the request.

#### *Suspension of Dealings*

The Manager may with the agreement of the Trustee (and must if the Trustee so requires) temporarily suspend the issue, cancellation, sale and redemption of units of any one or more classes if the Manager, or the Trustee in the case of any requirement by the Trustee, is of the opinion that due to exceptional circumstances it is in the interests of all the unitholders.

At the time of suspension, the Manager, or the Trustee if it has required the Manager to suspend dealing in units, must inform the FSA immediately stating the reason for its actions and, as soon as is practicable, give the FSA written confirmation of the suspension and the reason for it.

The Manager will notify unitholders of the suspension as soon as practicable after suspension commences.

During a suspension the obligations relating to the issue, sale, cancellation and redemption of units contained in Chapter 6 of the FSA Rules will cease to apply and the Manager must comply with as many of the obligations relating to valuation of assets as are practicable in the light of the suspension.

During any period of suspension, the Manager may agree to issue, redeem or switch units at a price calculated by reference to the first valuation point after the end of the suspension. Any deals outstanding prior to the suspension shall be undertaken at a price calculated by reference to the first valuation point after the suspension.

In accordance with Chapter 7 of the FSA Rules, suspension of dealing in units must cease as soon as practicable after the exceptional circumstances have ceased and the Manager and Trustee must formally review the suspension at least every 28 days.

The calculation of unit prices will recommence as at the next valuation point following the ending of the suspension.

#### *Money Laundering*

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. Accordingly, in certain circumstances investors may be asked to provide proof of identity when buying or selling units and, until satisfactory proof of identity is provided, the Manager reserves the right to refuse to sell or redeem units or to delay processing and/or withhold any payments due to investors in respect of their investment and to discontinue any deals it is conducting on behalf of those investors. No interest will be payable in respect of sums held pending receipt of a satisfactory proof of identity. The Manager also reserves the right to request additional information or proof of identity, in order to validate any element of a transaction and to comply with any relevant money laundering regulations. The checks on identity may include an electronic search of information held on the electoral roll and the use of credit reference agencies and in applying to buy units an investor gives permission to access this information in accordance with the Data Protection Act 1998.

For example, an individual may be required to produce a duly certified copy of his passport or identification card together with evidence of his address (such as utility bill or bank statement) and date of birth. In the case of corporate investors this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business addresses of the directors of the company.

#### *Restrictions and Compulsory Transfer and Redemption*

Units may not be acquired by or held by any person in circumstances ("relevant circumstances") which constitute a breach of the law of governmental regulation (or any interpretation thereof by a competent authority) of any country or territory or which would (or would if other units were acquired or held in like circumstances) result in the Trustee (or the Manager) incurring any liability to taxation 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). In this connection, the Manager may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no units are so acquired or held and may, inter alia, reject in its discretion any application for the purchase or sale of units.

If it comes to the notice of the Manager that any units ("affected units") are owned whether beneficially or otherwise in any of the relevant circumstances or if it reasonably believes this to be the case, the Manager may give notice to the unitholder(s) of the affected units requiring the transfer of such units to a person who is qualified or entitled to own them or that a request in writing be given for the redemption or cancellation of such units in accordance with the FSA Rules. If any person upon whom such a notice is served does not within 30 days after the date of such notice transfer the affected units to a person qualified to own them or establish to the satisfaction of the Manager (whose judgment is final and binding) that he and any person on whose behalf he holds the affected units are qualified and entitled to own the affected units, he shall be deemed upon the expiration of that 30 day period to have given a request in writing for the redemption or cancellation of all the affected units pursuant to the FSA Rules.

A person who becomes aware that he has acquired or holds, whether beneficially or otherwise, affected units in any of the relevant circumstances shall forthwith, unless he has already received a notice as aforesaid transfer or procure the transfer of all the affected units to a person qualified to own the same or give a request in writing or procure that a request is so given for the redemption or cancellation of all the affected units pursuant to the FSA Rules.

When the unitholder of any units in any unit class fails or ceases for whatever reason to be entitled to receive distributions or have allocations made in respect of his holding of units in a manner, in terms of the Scheme making or not making any deduction of United Kingdom tax prior to the distribution or allocation to the unitholder, as is envisaged for such unit class, he shall, without delay, give notice thereof to the Manager and the Manager shall, upon receipt of such notice, treat the unitholder concerned as if he had served on the Manager a notice requesting exchange of all of the relevant units owned by such unitholder for units of the class or classes of units in the Scheme which, in the opinion of the Manager, such unitholder is entitled to hold and most nearly equate to the class or classes of units being exchanged by that unitholder.

If at any time the Manager becomes aware that the unitholder of any units, that make or intend to make distributions or allocations without any tax being deducted or accounted for by the Trust, has failed or ceased for whatever reason to be entitled to receive distributions or have allocations made in respect of his

holding of such units without deduction of United Kingdom tax, then the Manager shall, without delay, treat the unitholder concerned as if he had served on the Manager a notice requesting exchange of all of the relevant units owned by such unitholder for units of the class or classes which, in the opinion of the Manager, such unitholder is entitled to hold and most nearly equate to the class or classes of units held by that unitholder.

### *Client money*

In exceptional circumstances, for example where units cannot be allocated to unitholders following their sale, or the proceeds of a redemption cannot be remitted to unitholders following their redemption, money in respect of such units will be transferred to a client money bank account until such transactions can be completed. Money transferred to a client money bank account will be held in accordance with the CASS Rules. The purpose of utilising client money bank accounts is to protect investors should the Manager become insolvent during such a period. No interest will be paid on money held in these client money bank accounts.

In the event that there is no contact from the unitholder for a period of 6 years despite reasonable attempts by the Manager to trace the unitholder concerned, such money will cease to be treated as client money. Should the unitholder concerned subsequently contact the Manager and make a valid claim, the Manager will reimburse the money to the unitholder. No interest will be payable on money reimbursed in such circumstances.

## **SALE**

Units can be bought either by sending a completed application form to the Manager at BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG or by telephoning the Manager on 0800 336600. Application forms may be obtained from the Manager.

The Manager has the right to reject, if it has reasonable grounds for refusing to sell units to the applicant (for example for market timing reasons as outlined below under “Market Timing” or above under “Money Laundering”), any application for units in whole or part and in this event the Manager will return any application monies sent, or the balance of such monies, at the risk of the applicant. The Manager is also not obliged to sell units where payment is not received with an application for units.

A contract note will be issued following the allocation of the appropriate sale price to the transaction. If payment has not already been made, settlement will be due on receipt by the purchaser of the contract note.

Certificates will not be issued in respect of units. Ownership of units will be evidenced by an entry on the Register. Periodic statements issued twice a year will show the number of units held by the recipient. Individual statements of a unitholder's units will also be issued at any time on request from the registered unitholder (in the case of joint unitholders, such request may be made by any one of the joint unitholders). Statements shall be sent to the first named joint unitholder where units are held jointly.

If a unitholder requires evidence of title to units, the Manager or the Registrar will (on behalf of the Manager) upon such proof of identity as is considered appropriate, supply a certified copy of the entry in the register relating to his units (and, subject to the Trust Deed and the FSA Rules, a charge may be imposed for such supply).

Under the Conduct of Business Sourcebook (Chapter 15) issued by the FSA pursuant to the Act, an investor entering into a contract to purchase units does not have rights of cancellation unless the contract was arranged through a Lloyds Banking Group authorised representative, a Scottish Widows sales adviser or an independent intermediary. In this case, there is a 30 day option to cancel the investment. Investors choosing to exercise their rights of cancellation may receive less than their original investment if the unit price has fallen since their initial purchase.

On request, the Manager may, at its discretion, arrange for the Trustee to issue units in exchange for assets other than money, but will only do so where the Trustee has taken reasonable care to ensure that the property concerned is not likely to result in any material prejudice to the interests of unitholders. No units will be issued in exchange for assets the holding of which would be inconsistent with the investment objective of the Trust.

### *Electronic Communications*

Currently, transfers of title to units may not be effected on the authority of an electronic communication.

### *Market Timing*

The Manager may refuse to accept applications for subscriptions for units which it knows or in its absolute discretion considers to be associated with market timing activities.

In general terms, market timing activities are strategies which may include frequent purchases and sales of units with a view to profiting from anticipated changes in market prices between valuation points or arbitraging on the basis of market price changes subsequent to those used in the valuation of the Scheme.

Such market timing activities are disruptive to fund management, may lead to additional dealing charges which cause losses/dilution to the Trust and may be detrimental to performance and to the interests of long term unitholders. Accordingly the Manager may in its absolute discretion reject any application for subscription for units from applicants that it considers to be associated with market timing activities.

## **REDEMPTION**

Subject as mentioned above under "Suspension of Dealings" or unless the Manager has reasonable grounds to refuse, every unitholder has the right, on any day on which the Scheme is available for dealing, to require the redemption of all or (subject as mentioned below) some of his units.

Requests to redeem units must be made to the Manager by telephone on 0800 336600 (in which case the identification procedures and controls required by the Manager from time to time must be satisfied) or in writing signed by the unitholder (or, in the case of joint unitholders, all of them) sent to the Manager at the correspondence address.

All redemption requests are irrevocable once made. Redemption requests that are made by telephone will be processed during or immediately after the conclusion of the telephone call.

Where a redemption request is made by telephone the unitholder (or, in the case of joint unitholders, all of them) must complete and sign a renunciation of title form (available on request from the Manager) and send it to the Manager at the correspondence address. The Manager will not release the proceeds of the redemption to the unitholder until an original renunciation of title form is received. The Manager will not accept facsimile renunciation of title forms.

No interest will be payable in respect of sums held pending receipt of a renunciation of title form.

Where the unitholder wishes to redeem part (rather than the whole) of his holding of units, the Manager may decline to redeem those units (and the unitholder may, therefore, be required to redeem his entire holding of those units) if either (1) the number or value of units which he wishes to redeem would result in the unitholder holding units with a value less than the minimum holding for the relevant class of units as specified in Schedule 6, below or (2) the value of the units which the unitholder wishes to redeem is less than the minimum partial redemption for the relevant class of units (if any) as specified in Schedule 6, below.

A contract note will be issued in respect of the redemption of units.

Not later than the end of the business day following the later of the receipt of the written redemption request or the telephone redemption request and the valuation point by reference to which the price is determined, a contract note giving details of the number and price of the units redeemed will be sent to the redeeming unitholder (or the first named, in the case of joint unitholders) together with (if sufficient written instructions have not already been given) a form of renunciation for completion and execution by the unitholder (or, in the case of joint unitholders, by all of them).

Payment of the redemption monies will be made:

- (a) in the case of a written redemption request (which, in the case of joint unitholders, must be signed by each of them), within four business days after the later of (a) receipt by the Manager of the written redemption request and (b) the valuation point following receipt by the Manager of the request to redeem; and

- (b) in the case of a telephone redemption request, within four business days after receipt by the Manager of written confirmation (which, in the case of joint unitholders, must be signed by all of them) of the telephone redemption request.

Please note however that the Manager reserves the right to request additional information or proof of identity, in order to validate elements of the transaction and to comply with any relevant money laundering regulations. This may delay the despatch of any redemption proceeds to the unitholder. Until this information or proof is provided the Manager reserves the right to refuse to redeem units or to delay processing and/or withhold any payments due to investors in respect of their investment and to discontinue any deals it is conducting on behalf of those investors. No interest will be payable in respect of sums held pending receipt of such information or proof.

Payment will normally be made by cheque (but may also be made by bank transfer ("BACS")).

Where a unitholder requests redemption or cancellation of units, the Manager at its discretion may, where it considers the deal to be substantial in relation to the size of the Trust, arrange that the unitholder shall not be paid the redemption price of his units but instead there shall be a transfer to that unitholder of property of the Trust having the appropriate value. If required by the unitholder, the Manager shall, instead of arranging for a transfer of Scheme Property, to arrange for a sale of that property and the payment to the unitholder of the net proceeds of that sale.

Before the proceeds of the cancellation of units becomes payable, the Manager must give written notice to the unitholder that the Scheme Property or the proceeds of sale of Scheme Property will be transferred to that unitholder.

The selection of Scheme Property to be transferred (or sold) is made by the Manager in consultation with the Trustee, with a view to achieving no more advantage or disadvantage to the unitholder requesting redemption of his units than to continuing unitholders. The Trustee may pay out of the Scheme Property assets other than cash as payment for the cancellation of units only if it has taken reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of unitholders. The Trust may retain out of the Scheme Property to be transferred (or the proceeds of sale) property or cash of value or amount equivalent to any redemption charge, or stamp duty to be paid in relation to the cancellation of the units.

## **SWITCHING**

A unitholder may, subject as mentioned below, at any time switch all or some of those units (the "Original Units") for units of another class (the "New Units") within the Trust. No switch will be effected during any period when the right of unitholders to require the redemption of their units is suspended.

Switching requests must be made to the Manager by telephone on 0800 336600 (in which case the identification procedures and controls required by the Manager from time to time must be satisfied) or in writing sent to the Manager at BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG and must specify (1) the number and class of the Original Units to be switched and (2) the class of the New Units to which they relate. Switching requests made by telephone must be confirmed in writing (which, in the case of joint unitholders, must be signed by all the joint unitholders) sent to the Manager at the address stated in this paragraph. Switching forms may be obtained from the Manager and the unitholder may be required to complete a switching form (which, in the case of joint unitholders, must be signed by all the joint unitholders) and receipt by the Manager of a duly completed and signed Switching form may be required by the Manager before the switch will be effected.

Subject as mentioned above, a switch will be effected as at the next valuation point following the time at which the switching request or (if required by the Manager) the duly completed and signed switching form is received by the Manager or as at such other valuation point as the Manager may agree at the request of the unitholder of the class to which the New Units relate.

If the switch would result in the unitholder holding a number of Original Units or New Units of a value which is less than the minimum holding specified in Schedule 6, the Manager may, if it thinks fit, convert the whole of the unitholder's holding of Original Units into New Units or refuse to effect the requested switch of the Original Units. The Manager shall refuse to effect a requested switch by a unitholder if any other conditions attached to the purchase or holding of New Units are not satisfied with respect to that unitholder or if the Manager has reasonable grounds for refusing the request.

The number of New Units to which the unitholder will become entitled on a switch will be determined by reference to the respective prices of New Units and Original Units at the valuation point applicable at the time the Original Units are cancelled or redeemed.

The Manager may at its discretion adjust the number of New Units to be issued to reflect the imposition of any charges or levies or SDRT provision in respect of the issue or sale of the New Units or repurchase or cancellation of the Original Units as may be permitted pursuant to the FSA Rules and this Prospectus.

**A switch of Original Units for New Units will not normally be treated as a realisation for UK tax purposes.**

**A unitholder who switches Original Units for New Units will not be given a right by law to withdraw from or cancel the transaction.**

## **STAMP DUTY RESERVE TAX**

Information regarding Stamp Duty Reserve Tax (SDRT) and SDRT provision is set out below on page 16.

**THE MANAGER IS UNDER NO OBLIGATION TO ACCOUNT TO THE TRUSTEE OR TO THE UNITHOLDERS FOR ANY PROFIT THEY MAKE ON THE SALE OF UNITS OR ON THE RE-SALE OR CANCELLATION OF UNITS WHICH THEY HAVE REDEEMED.**

## **14. DEALINGS BY THE MANAGER, THE TRUSTEE AND THE INVESTMENT ADVISER**

- (a) The FSA Rules contain provisions governing any transaction concerning a Trust which is carried out by or with an "affected person", that is to say:
- (i) the Manager;
  - (ii) an Associate of the Manager;
  - (iii) the Trustee;
  - (iv) an Associate of the Trustee;
  - (v) any investment adviser;
  - (vi) an Associate of any investment adviser; and
  - (vii) the Auditor.

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

- (b) Investment of the property of the Trust may be made on arm's length terms through a member of an investment exchange (acting as principal) who is an Associate of the Manager. Such a person may make a profit out of such dealings, although the Manager will always deal on best execution terms, and neither the Manager nor any such Associate will be liable to account for any such profit.

**NEITHER THE MANAGER NOR ANY "AFFECTED PERSON" IS UNDER OBLIGATION TO ACCOUNT TO ANOTHER AFFECTED PERSON OR TO THE UNITHOLDERS FOR ANY PROFIT OR BENEFIT THEY MAKE OR RECEIVE IN CONNECTION WITH THE DEALINGS IN UNITS OF THE TRUST, ANY TRANSACTION IN THE SCHEME PROPERTY OR THE SUPPLY OF SERVICES TO THE TRUST.**

## 15. CHARGES AND EXPENSES

In terms of the FSA Rules, the only payments (except in relation to any taxation payable by the Trust) which may be recovered from the Scheme Property are those in respect of:

- (a) Remunerating the parties operating the Trust;
- (b) The administration of the Trust; or
- (c) The investment or safekeeping of the Scheme Property.

Accordingly, the following (including value added tax, where applicable) may be paid out of the Scheme Property:

- (a) the fees and expenses payable to the Manager and to the Trustee (see below);
- (b) fees and expenses in respect of establishing and maintaining the Register and any plan registers and related functions (whether payable to the Manager or any other person) (see below);
- (c) expenses incurred in acquiring investments;
- (d) expenses incurred in disposing of investments;
- (e) expenses incurred in distributing income to unitholders;
- (f) the fees and expenditure incurred in relation to the immoveable property, "**expenditure**" in this context means in respect of any moveable or immoveable property or property related right or interest whatsoever which is, or may be intended to become, part of the Scheme Property, taxes, charges, costs, expenditure, outgoings or disbursements whatsoever (including abortive costs) incurred or legally committed in relation thereto including at present the following:
  - (i) researching, acquiring, developing, letting, reletting, disposing, structuring or restructuring, reinstating, varying, managing, funding, financing, refinancing, securing, profit sharing, clawback arrangements, hedging, procuring swaps, procuring underwriting, paying interest, commissions, charges and fees;
  - (ii) taxes, rates, charges, duties, levies, assessments, impositions or other outgoings whatsoever whether of a capital or revenue nature including stamp duty and stamp duty land tax, stamp duty reserve tax, transfer tax, withholding tax, transfer pricing and irrecoverable VAT;
  - (iii) to any planning authority or other competent authority or to a third party pursuant to any planning highways or similar agreement or arrangement whatsoever;
  - (iv) to agents, brokers, solicitors, attorneys, counsel, notaries, accountants, actuaries, insurers, surveyors, architects, engineers, developers, analysts, rating agencies, credit reference agencies, advertisers, marketers, information providers, enquiry agents, publishers, experts and/or arbiters and any other professional advisers and consultants whatsoever, professional or industry organisations, governments, government agencies, suppliers, contractors, security, concierge and maintenance staff whatsoever including their respective disbursements;
  - (v) valuing assets, analysing or securing independent comparative fund performance, securing financial reports and other information on and investigating actual or prospective occupiers, tenants, vendors, purchasers and any other third parties;
  - (vi) any project or development management whether internal or external (including the Property Manager's fees) \*;

\* It should be noted that this paragraph (f) (vi) allows the fees and expenses of providers of general and/or specialised property management services who may be appointed in relation to any of the Trust's properties from time to time to be paid out of the Scheme Property.

- (vii) for any works, systems, plant or equipment or furnishings whatsoever including environmental, demolition, building, fitting out, commissioning decommissioning, decontaminating, decorating, equipping, furnishing, repairing, replacing, maintaining, remediating, refurbishing, refurnishing, rebuilding, redecorating, re-equipping, restorative and preventative measures;
  - (viii) any rent-free or reduced period, commission, premium, fine or other financial inducement or incentive of any nature whatsoever given to any third party to induce it to enter into any lease licence renewal or other arrangement whatsoever;
  - (ix) complying with any law and any obligation whatsoever including meeting obligations to banks, funders, superiors, landlords, tenants, occupiers and paying rents, costs and expenses including for voids and service charges for voids;
  - (x) attributable to property management, expert determinations, arbitrations, dispute resolution, litigation, enforcement of rights, including employment issues, rent reviews, actual or threatened repairs and dilapidations, evictions, debt recovery, surety enforcement, forfeiture, and bad debts; and
  - (xi) any other items whatsoever properly incurred in the day to day operation of a property portfolio of the type envisaged in this prospectus including analogous items in any country in which immovable property may held in terms of this Prospectus;
- (g) the fees and expenses of the auditors and legal, tax and other professional advisers (including the fees and expenses of providers of advisory services in relation to class actions);
  - (h) the costs of convening and holding meetings of unitholders;
  - (i) the costs of printing and distributing reports, accounts and any Prospectus;
  - (j) the costs of publishing prices and other information which the Manager is required by law to publish and any other administrative expenses;
  - (k) interest on and charges incurred in relation to borrowings;
  - (l) fees of the FSA under Schedule 1, Part III of the Act and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units are or may be marketed;
  - (m) fees and expenses in connection with the listing of units on any stock exchange;
  - (n) any costs incurred in modifying the Trust Deed or the Prospectus (including periodic updates of the Prospectus);
  - (o) any expenses properly incurred by the Trustee in performing duties imposed upon it (or exercising powers conferred on it) by the FSA Rules. The relevant duties include (but are not limited to) the delivery of stock to the Trustee or the sub-Custodian, the custody of assets, the collection of income, the submission of tax returns, the handling of tax claims, the preparation of the Trustee's annual report and any other duties the Trustee is required to perform by law;
  - (p) liabilities on amalgamation or reconstruction arising where the property of a body corporate or another collective investment scheme is transferred to the Trustee in consideration for the issue of units to the holders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express provision in the Trust Deed forbidding such payment, the Manager is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer;
  - (q) any costs incurred in forming a class of unit;
  - (r) any costs and expenses incurred in registering, having recognised or going through any other process in relation to the Scheme in any territory or country outside the United Kingdom for the purposes of marketing units in such territory or country (including any costs and expenses incurred in translating or having translated the Trust Deed, the Prospectus and any other document);

- (s) any costs and expenses incurred in relation to the winding up of the Trust; and
- (t) any other costs or expenses that may be taken out of the Scheme Property in accordance with the FSA Rules.

Payments out of Scheme Property will be allocated between capital and income in accordance with the FSA Rules and as the Manager and the Trustee may agree from time to time. In the event that any expense, cost, charge or liability which would normally be payable out of income cannot be so paid because there is insufficient income property available for that purpose, such expense, cost, charge or liability may be paid out of the capital property. Treating any payments as a capital charge may erode the capital or may constrain future capital growth.

## **MANAGER'S PERIODIC CHARGE**

In payment for carrying out its duties and responsibilities the Manager is entitled to receive out of the assets of the Trust a periodic charge of such amount as shall from time to time be fixed by it. The Manager's periodic charge is expressed as an annual percentage of the value of the property attributable to each class of units. The current percentages for each class of units currently in issue are set out in Schedule 6. Any value added tax on the periodic charge will be added to that charge.

There is no periodic charge levied for class X units. A charge may be paid by unitholders in that class to the Manager pursuant to a separate contractual obligation. Such charge will be calculated, accrued and paid in a manner agreed from time to time with each unitholder in that class.

The periodic charge shall accrue daily and shall be debited to the property of the Trust at monthly intervals in respect of successive daily accrual intervals, is reflected in the value of the units on a daily basis and is paid out of the Trust at monthly intervals. The periodic charge is calculated on the daily value of the Trust's property and is paid to the Manager monthly in arrears.

On a winding up of the Trust the Manager is entitled to its pro rata fees and expenses (including expenses incurred in relation to such winding up or redemption) to the date of termination and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

The Manager is also entitled to receive all reasonable, properly vouched out-of-pocket expenses incurred in the performance of its duty (in accordance with the FSA Rules), including the fees and expenses of providers of administration services in relation to class actions.

The Manager is only entitled to increase its periodic charge in accordance with the FSA Rules.

## **TRUSTEE'S FEE**

The Trustee is paid a periodic fee out of the property of the Trust, by way of remuneration for its services. The Trustee's remuneration is calculated, accrued and paid on the same basis as the Manager's periodic charge. The rate or rates of the Trustee's periodic charge in respect of the Trust shall be agreed between the Manager and the Trustee from time to time in accordance with the FSA Rules. The current fee payable in respect of the Trust is 0.02% per annum on the first £500 million of the value of the Trust, 0.0125% per annum on the next £400 million of the value of the Trust, 0.01% per annum on the next £200 million of the value of the Trust and 0.005% per annum on the remaining value of the Trust. Value Added Tax on the amount of the periodic charge will be paid out of the Trust in addition.

The first accrual will take place in respect of the period beginning on the day on which the first valuation is made and ending on the last business day of the month in which that day falls.-

Where relevant, the Trustee may make a charge for its 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 Fund and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the FSA Rules.

The Trustee 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 Trust Deed, the FSA Rules Sourcebook or by the general law.

In each such case such payments, expenses and disbursements may be payable to any person (including the Manager or any associate or nominee of the Trustee or of the Manager) who has had the relevant duty delegated to

it pursuant to the FSA Rules by the Trustee.

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

The Trustee's fees may be varied from time to time in accordance with the FSA Rules.

## **REGISTRAR'S FEE**

In respect of registration duties, remuneration in the form of a registration charge is paid out of the Scheme Property to the Manager (plus VAT) (if any). This registration charge is calculated, accrued and paid on the same basis as the Manager's periodic charge. The rate of the registration charge is currently 0.1% per annum of the Net Asset Value of each class of unit (plus VAT) (if any). The Manager pays the fees of the Registrar from the Manager's registration charge.

## **CUSTODIAN'S FEE**

The Trustee has delegated certain of the functions of custody of the Scheme Property, namely custody of the moveable assets to State Street Bank and Trust Company. As custodian of the moveable Scheme Property State Street Bank and Trust Company will be paid custody and other transaction charges plus VAT (if any) together with out of pocket expenses out of the Scheme Property. The remuneration for acting as sub-Custodian is calculated at such rates and/or amounts as the Trustee and the sub-Custodian may from time to time agree. In addition the sub-Custodian makes a transaction charge determined by the territory, or country in which a transaction is effected. The cost of custody generally depends upon the market value of the stock involved and currently ranges from 0.0025% per annum and 0.4% per annum of such market value plus VAT (if any). The current range of transaction charges is between £10 and £100 plus VAT (if any). The charges shall accrue when the relevant transaction is effected and will be paid as soon as is reasonably practicable.

## **STANDING INDEPENDENT VALUER'S FEES**

The Standing Independent Valuer is entitled to receive a fee for the services it provides in relation to the valuing of the immovable Scheme Property from time to time. The fees payable to the Standing Independent Valuer are payable out of the Scheme Property. Where valuations are carried out once per month, a quarterly fee of an amount calculated in accordance with the following paragraph will be payable quarterly in arrears on the last business day of the relevant quarter:

$$\underline{A \times 0.00025}$$

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where A is the average of the value of the immovable property within the Trust during the relevant quarter.

Where, in any quarter, additional inter month valuations are performed, an additional quarterly fee will be calculated in accordance with the following paragraph and will be payable quarterly in arrears on the last business day of the relevant quarter:

$$\underline{B \times 0.000175 \times n}$$

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Where B is the average value of immovable property within the Trust at the inter month valuation points during the relevant quarter, and n is the number of inter month valuations performed in the quarter.

In addition, the Standing Independent Valuer is entitled to receive payment out of the Scheme Property for set up costs on new acquisitions of immovable property, which fee is currently £1,500 per acquisition. Furthermore, where the Manager consults with the Standing Independent Valuer in order to agree a fair and reasonable value for any immovable (in circumstances where it is considered appropriate to do so) or where the Standing Independent Valuer is requested or required to perform any additional valuation services in relation to the Trust, the fees of the Standing Independent Valuer in respect of such consultation shall be payable out of the Scheme Property.

## **16. OTHER CHARGES**

### **STAMP DUTY RESERVE TAX**

In accordance with UK tax law, SDRT is chargeable on the redemption of units, and on certain transfers of units, in the Trust. The current rate of SDRT is 0.5%.

SDRT is chargeable on the value of redemptions and transfers in the Trust in each weekly charging period, but is reduced proportionately to the extent that:

- (a) investments held by the Trust are exempt assets, which broadly means any assets other than UK equities and UK land; and
- (b) during that week and the following week, sales of units by number are less than redemptions of units.

### **SDRT PROVISION**

FSA rules permit the Manager to require from an incoming or outgoing unitholder, a separate payment, or deduction, of a provision against SDRT (“SDRT provision”) when units are issued to an incoming unitholder, or redeemed or transferred by a unitholder (other than a redemption of units resulting in a transfer of property that is such part of each description of asset in the Scheme Property as is proportionate to, or as nearly as practicable proportionate to, the unitholder's share in the Scheme Property.)

The SDRT provision can be up to 0.5% of the value of the transaction and is a provision against the SDRT owed by the Trustee.

If the Manager receives an SDRT provision in respect of any unit sold or to be sold by it or deducts an SDRT provision from the proceeds of redemption of a unit redeemed or cancelled by it, it will forthwith upon receipt pay it to the Trustee to become part of the Scheme Property.

The exercise of such a power would affect investors by increasing the payment required on the acquisition of units and by decreasing the redemption proceeds received on the redemption or cancellation of units.

### **CURRENT POLICY ON SDRT**

Except as mentioned below in the case of:

- (a) a large deal (meaning in this context a deal or group of connected deals which has a total value which represents 2% or more of the total value of the Trust);
- (b) a transfer of units between third parties; or
- (c) any circumstances where the Manager believes that the imposition of an SDRT provision is required to safeguard the interests of continuing unitholders;

the Manager's current policy on the recovery of SDRT is for the amount of SDRT payable upon the issue, sale, redemption or cancellation of a unit to be met from the Scheme Property. In respect of any transaction in the circumstances referred to in (a), (b) or (c) above (which in any case is not exempt from SDRT), the Manager's current policy is that, at its discretion, it may require payment of an SDRT provision of such amount as is determined by the Manager, but not exceeding the amount that would be derived by applying the prevailing rate of SDRT (currently 0.5%) to the market value of the units involved in the transaction. Amounts so collected will be paid to the Trustee to become part of the Scheme Property.

The Manager is unlikely to impose an SDRT provision unless it considers that, for a particular transaction or series of transactions, not doing so would have a material impact on the value of the Trust, but reserves the right to do so at its discretion.

Although not a direct indicator of future practice, on a historical basis the Manager has not required payment of an SDRT provision on a frequent basis.

## **PRELIMINARY CHARGE**

On the sale of units, a preliminary charge (calculated as a percentage of the issue price of the units) will be made by the Manager. Details of the current preliminary charge in respect of each class of unit are set out in Schedule 6.

## **REDEMPTION CHARGE**

The Trust Deed authorises the Manager to make a charge by way of deduction from the proceeds of redemption of units. Currently, the Manager is not making any such charge. If, at any time in the future, the Manager were to decide to make such a charge, it would, prior to introducing the charge, comply with the relevant requirements, if any, of the FSA Rules.

## **DILUTION ADJUSTMENT**

### **Dilution Adjustment and Large Deals**

The basis on which the Trust's investments are valued for the purpose of calculating the price of units is documented in Schedule 2, as required by the FSA Rules. The actual cost of purchasing or selling investments may be higher or lower than the mid-market value used in calculating the prices at which units are to be sold and redeemed. This may arise, for example, due to dealing expenses or through dealing at prices other than the mid-market value. In certain circumstances (for example, large volumes of deals) this may have an adverse effect on the unitholders' interest in the Trust. This effect is called "dilution."

To mitigate the effects of dilution the Manager will in accordance with the FSA Rules have discretion to make a "dilution adjustment" on the sale and/or redemption of units. A dilution adjustment is an adjustment to the price. The Manager will use its discretion to apply dilution adjustment to either increase or decrease the price when it is of the view that it is appropriate to do so in the interests of continuing unitholders.

The Manager may, at its discretion, make a dilution adjustment on the sale and/or redemption of units (including switches) if, in its opinion, the existing unitholders (for sales) or remaining unitholders (for redemptions) might otherwise be materially affected. In particular, the Manager may make a dilution adjustment under the following circumstances:

- for all sales transacted during the period between two consecutive valuation points for the purposes of calculating the price of units in the Trust where the net sales of units placed during that period would result in trading activity in the Trust that would be expected to have a significant impact on the Trust's Net Asset Value in respect of the market conditions at that time;
- for all redemptions transacted during the period between two consecutive valuation points for the purposes of calculating the price of units in the Trust where the net redemptions of units placed during that period that would be expected to have a significant impact on the Trust's Net Asset Value in respect of the market conditions at that time;
- in any other case where the Manager believes that the imposition of a dilution adjustment is required to safeguard the interests of continuing unitholders (for example, where the Trust is continually suffering net redemptions).

On the occasions when dilution adjustment is not applied there may be an adverse impact on the total assets of the Trust.

As previously noted, dilution is directly related to the inflows and outflows of monies from the Trust and, as such, it is not possible to predict accurately whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Manager will need to make such a dilution adjustment. It is envisaged (based on future projections) that a dilution adjustment will be applied frequently.

The dilution adjustment may vary over time because the dilution adjustment will be calculated by reference to the costs of dealing in the underlying investments, including any dealing spreads, and these can vary with market conditions. A typical dilution may range from 3.66% for buying and 1.05% for selling units.

## **17. INCOME**

The accounting reference date is 31 December (final) and 31 March, 30 June and 30 September (interim).

The dates on which distributions of income are made to unitholders in respect of the Trust are 28 February (final) and 31 May, 31 August and 30 November (interim). Upon the first distribution following the sale of a unit, the relevant unitholder will receive as part of that distribution a capital sum representing that part of the purchase price of a unit which represents the value of accrued income at the time of purchase.

The amount so paid, known as "equalisation" will be an amount arrived at by taking the aggregate of the amounts of income included in the issue price in respect of units sold or re-sold in a particular period (the "grouping period"), dividing that aggregate by the number of those units and applying the resultant average to each of the units in question. The periods will be equal to the relevant interim accounting period or, in the case of a final distribution, the period between the end of the last interim accounting period and the final accounting reference date. Where there is no interim accounting period, the grouping period will be equal to the annual accounting period.

Where an authority in writing given by the unitholder (or in the case of joint unitholders by all of them) in such form as the Trustee shall consider sufficient, is held by the Trustee, he will pay the amount payable in accordance with that authority.

Any distribution or other monies payable on or in respect of a unit may be paid by cheque or by bank transfer ("BACS") and may be remitted by post to the registered address of the unitholder or person entitled to such monies (or, if two or more persons are registered as joint unitholders of the unit to the first-named joint unitholder or to such person and to such address as the holder or, in the case of joint unitholders, all of the joint unitholders or other person or persons may direct in writing).

Any distribution payment which remains unclaimed must after a period of six years from the date of payment, be transferred to and become part of the capital property of the Trust and therefore neither the payee nor the unitholder nor any successor in title to it will have any right except as part of the capital property.

## **18. TAXATION**

The following summary is intended to offer some guidance on the United Kingdom ("UK") taxation of the Trust and its unitholders, but should not be regarded as definitive, nor as a substitute for taking separate professional advice.

**If investors are in any doubt as to their tax positions, they should consult their professional advisers.**

### **INCOME RECEIVED BY THE TRUST**

The Trust is exempt from UK tax on dividends received from UK companies and, with effect from 1 July 2009, this exemption has been extended to dividends received from overseas companies (subject to certain conditions). The Trust can choose to elect to tax particular overseas dividends and, where it makes such an election, these dividends will be included in the taxable income of the Trust. Most other sources of income (e.g. interest income) will also constitute taxable income of the Trust. The Trust will be subject to corporation tax at 20% on most other types of income, including rental income, after deducting allowable expenses and subject to relief for some or all of any foreign tax suffered on income.

Gains and losses on creditor relationships (e.g. loan stocks, corporate bonds, gilts) will not be taxable if they are included in the accounts as 'net gains/losses on investments' or 'other gains/losses.'

Capital gains realised on the disposal of investments held by the Trust are not subject to UK corporation tax. However, in certain circumstances, income may be deemed to arise for tax purposes in respect of investments (e.g. interests in limited partnerships and material interests in offshore funds) notwithstanding that the income concerned has not been received as such by the Trust.

### **DIVIDEND DISTRIBUTIONS**

The Trustee will be deemed to make distributions in respect of income available for payment to unitholders, regardless of whether the income is retained within the Trust or actually paid to unitholders.

Any dividend distribution made by the Trust will be treated as if it were a dividend from a UK company. No deduction of UK income tax is made from a dividend distribution, but the dividend distribution will come with an associated tax credit of one-ninth of the amount of the dividend. This tax credit will satisfy the tax liability of UK resident individual unitholders subject to basic rate income tax. Unitholders who are

liable to income tax at the higher rate must pay further tax of 22.5% of the aggregate of the dividend plus the associated tax credit (equivalent to 25% of the actual dividend receipt). From 6 April 2010, UK resident individual unitholders whose income exceeds £150,000 per year are subject to an additional rate of income tax at 50%. These individual unitholders must pay further tax of 32.5% of the aggregate dividend plus the associated tax credit, equivalent to 36.1% of the actual dividend receipt. UK resident non-taxpayers will be unable to reclaim any part of the tax credit. Likewise, no reclaim can be made in respect of units held through an ISA or Child Trust Fund.

Corporate unitholders within the charge to UK corporation tax receive this dividend distribution and associated tax credit as franked investment income to the extent that the distribution relates to underlying franked investment income (before deduction of expenses, but net of UK corporation tax) for the period in respect of which the distribution is made. Any part of the distribution which is not received as franked investment income is deemed to be an annual payment from which income tax at the rate of 20% has been deducted. Any repayment of the tax deemed to have been deducted is restricted by reference to the unitholder's proportion of the Trust's UK corporation tax liability for the period.

Non-UK resident unitholders may be entitled to a refund from HMRC of the tax credit (or a proportion of it) in respect of dividend distributions, depending on their personal circumstances and the terms of any double taxation agreement which exists between their country of residence and the UK.

## **EQUALISATION**

As the Trust operates equalisation, the first income distribution made after the acquisition of units will include an amount of equalisation. This amount represents an average of the income in the price at which the units were acquired. It is treated as a return of capital for UK tax purposes and is not taxable as income in the hands of the unitholder. This amount should be deducted from the cost of units in computing any capital gain realised on a subsequent disposal.

## **CAPITAL GAINS**

Unitholders who are resident in the UK for tax purposes may be liable to capital gains tax or, where the unitholder is a company, corporation tax in respect of gains arising from the redemption, exchange or other disposal of units.

Capital gains made by individual unitholders on disposals from all chargeable sources of investment will be tax free if the net gain (after deduction of allowable losses) falls within an individual's annual capital gains exemption. For the tax year 2011/2012 the first £10,600 of an individual's net chargeable gains are exempt from capital gains tax. Gains in excess of this amount are taxed at either 18% or 28% with the tax rate dependent on an individual's taxable income.

Unitholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of units in their taxable profits. The amount chargeable will be reduced by indexation allowance.

A life insurance company investing in the Trust may in certain circumstances be treated as realising an annual chargeable gain based on the deemed disposal of its units for the purposes of corporation tax on gains. Any gain or allowable loss arising on the deemed disposal is brought into account for tax purposes as to one-seventh in the accounting period of disposal, and one-seventh (reduced pro rata if an accounting period is less than 12 months) in respect of each of the six subsequent accounting periods.

The foregoing statements are based on UK law and HMRC practice as known at the date of this Prospectus. Unitholders and prospective unitholders are advised to consult their professional advisers if they are in any doubt about their tax position.

## **EU SAVINGS DIRECTIVE**

Following implementation of the EU Savings Directive into UK law, details of "savings income payments" made to individuals resident in another member state within the European Union or resident within certain other jurisdictions, must be reported to HMRC. In the context of the Trust and a UK established paying agent, a distribution from the Trust will be a "savings income payment" if the Trust holds more than 15% of its scheme property in money debts. In addition, income realised upon the sale or redemption of units will be a savings income payment if the Trust holds more than 40% of its scheme property in money debts.

**The foregoing statements are based on UK law and HMRC practice as known at the date of this Prospectus. Unitholders and applicants for units are recommended to consult their professional**

**advisers if they are in any doubt about their tax position.**

## **19. MEETINGS AND MODIFICATIONS**

### **MEETINGS**

The Manager or the Trustee may convene a general meeting at any time. The unitholders may request the convening of a general meeting by a requisition which must (a) state the objects of the meeting; (b) be dated; and (c) be signed by unitholders who, at that date, are registered as the unitholders of units representing not less than one-tenth in value of all the units then in issue; and (d) be deposited with the Trustee.

The Manager must, by way of an extraordinary resolution, obtain prior approval from the unitholders for any proposed change to the Trust which the Manager has determined is a fundamental change. The FSA Rules currently provide that a fundamental change is a change or event which:

- changes the purposes or nature of the Trust; or
- may materially prejudice a unitholder; or
- alter the risk profile of the Trust; or
- introduce any new type of payment out of the scheme property.

Fundamental changes may include, for example:

- material changes to any statement of policy or investment objective which has been included in the Prospectus;
- a proposed scheme of amalgamation;
- a scheme of reconstruction.

Rules for the calling and conduct of meetings of unitholders and the voting rights of unitholders at such meetings are governed by the FSA Rules. At any general meeting of unitholders, except where an extraordinary resolution is specifically required or permitted, any resolution is passed by simple majority. An extraordinary resolution will only be passed by not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution at a general meeting of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given. If a resolution is put to the vote of the meeting, it shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman, by the Trustee or by at least two unitholders. Unless a poll is so demanded, a declaration by the chairman as to the result of a resolution shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

If a poll is duly demanded, it shall be taken in such a manner as the chairman may direct. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. A poll demanded on the election of the chairman or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken at such time and place as the chairman directs. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

On a show of hands, every unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard shall have one vote. On a poll, the voting rights attaching to each unit are such proportion of the voting rights attached to all units in issue as the price of the unit bears to the aggregate price(s) of all the units in issue at a cut-off date selected by the Manager before the notice of meeting is sent out. A person 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.

A corporation being a unitholder may by resolution of the directors or other governing body of such corporation authorise such a person as it thinks fit to act as its representative at any meeting of unitholders. The person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual holder.

In the case of joint unitholders, only the vote of the most senior who votes, whether in person or by proxy, will be accepted, to the exclusion of the votes (if any) of the other joint unitholders. For this purpose, seniority will be determined by the order in which the names stand in the Register of unitholders.

On a poll, votes may be given either personally or by proxy.

A vote by proxy must be deposited at such place as may be specified in the notice convening the meeting (or in any document accompanying the notice) (or if no such place is appointed then at the head office of the Manager) by the time which is at least 48 hours prior to the time of the appointed meeting.

Subject to the paragraph below, the quorum at any meeting shall be two unitholders present in person or by proxy.

The Manager and its Associates may hold units in the Trust. They are entitled to receive notice of and attend any meeting but the Manager is not entitled to vote or be counted in the quorum and its units are not regarded as being in issue in relation to such meetings except in respect of any units which the Manager holds on behalf of, or jointly with, a person who, if himself the sole registered unitholder, would be entitled to vote and from whom the Manager has received voting instructions. An Associate of the Manager may be counted in the quorum and may vote at the meeting in respect of units held on behalf of or jointly with a person who, if himself the sole registered unitholder, would be entitled to vote, and from whom the Associate has received voting instructions.

Where a resolution (including an extraordinary resolution) is required to conduct business at a meeting of unitholders and every unitholder is prohibited under the FSA Rules from voting, a resolution may, with the prior written agreement of the Trustee, instead be passed with the written consent of unitholders representing 50% or more, or for an extraordinary resolution 75% or more, of the units in issue.

The cut-off date for a meeting is a date selected by the Manager which must, in terms of the FSA Rules, be a reasonable time before notice is given and "unitholders" for the purposes of quorum and voting means the persons entered in the register at that date.

## **MODIFICATIONS**

The manner in which the Manager should treat changes it is proposing to the Trust is set out in the Act and the FSA Rules. The degree of materiality and the effect the proposed change would have on the Trust and its unitholders determines the level of notification (and in some instances, approval) required:

- (a) The Manager must obtain prior approval from the unitholders by way of an extraordinary resolution for any fundamental change (see "Meetings" above);
- (b) The Manager must give prior written notice of not less than sixty days to unitholders in respect of any proposed change to the operation of the Trust which would, in the Manager's opinion constitute a significant change. A significant change is, in terms of the FSA Rules, a change or event which is not fundamental but which:
  - affects a unitholder's ability to exercise his rights in relation to his investment; or
  - would reasonably be expected to cause the unitholder to reconsider his participation in the Trust; or
  - results in any increased payments out of the Scheme Property to the Manager or his Associate; or
  - materially increases other types of payment out of the Scheme Property.

Significant changes may include, but are not restricted to, for example:

- a change in the method of price publication;
  - a change in any operational policy
- (c) The Manager must inform unitholders of any notifiable changes that the Manager considers are reasonably likely to affect, or have affected, the operation of the scheme. The way in which and the

time at which the Manager may notify unitholders of any notifiable change would depend on the nature of the change or event. The Manager will, on any proposal to make a change which it deems to be notifiable, assess the proposed change in order to determine how and when the unitholders should be notified of the change or changes and act accordingly. A notifiable change, in terms of the FSA Rules, is a change or event, other than a fundamental change or a significant change, which a unitholder must be made aware of unless the Manager concludes that the change is insignificant. A notifiable change may include (but is not restricted to), for example:

- a change of named investment manager;
- a significant political event which impacts on the Trust or its operation;
- a change to the time of the valuation point;
- the introduction of limited issue arrangements; or
- a change of the Trustee or a change in the name of the Trust.

The circumstances causing a notifiable change may not always be in the control of the Manager.

The Manager (from time to time in consultation with the Trustee) will use and exercise its discretion in determining whether a proposed change falls within any of the fundamental, significant or notifiable categories and will act accordingly.

## **SERVICE OF NOTICE TO UNITHOLDERS**

Any notice or documents will be served on unitholders in writing by post to the unitholders postal address as recorded in the register.

## **20. WINDING-UP**

The Trust will be wound up and terminated on the occurrence of any of the following events:

- (a) The Authorisation Order declaring the Trust to be an authorised unit trust is revoked;
- (b) The passing of an extraordinary resolution winding up the Trust (provided the FSA's prior consent to the resolution has been obtained by the Manager or the Trustee);
- (c) The Manager or the Trustee requests the FSA to revoke the Authorisation Order, and the FSA agrees that subject to there being no material change in any relevant factor that, on the conclusion of the winding up, the FSA will agree to that request;
- (d) The expiration of any period specified in the Trust Deed as the period at the end of which the Trust is to be wound up; or
- (e) The effective date of a scheme of arrangement which is to result in the Trust being left with no property.

The Procedure to be followed in a winding-up of a Trust is that laid down by the FSA Rules, which currently provide as follows:

- (a) Where the FSA has determined to revoke the order declaring the Trust to be an authorised unit trust scheme following the passing of an extraordinary resolution approving a scheme of arrangement the Trustee shall wind up the Trust in accordance with that resolution on the terms of the approved scheme.
- (b) In any other case the Trustee shall, once the Trust falls to be wound up, realise the property of the Trust, and after paying thereout or retaining adequate provision for all liabilities properly so payable and retaining provision for the costs of the winding-up, distribute the proceeds of that realisation to the unitholders and the Manager proportionately to their respective interests in the Trust as at the date of the relevant event. Where the Trustee and one or more unitholders agree, the requirement to realise the property of the Trust shall not apply to that part of the property proportionate to the entitlement of that or those unitholders, and the Trustee may distribute that part of the Scheme Property in the form of property, after making such adjustments or retaining such provision as appears to the Trustee

appropriate for ensuring that that or those unitholders bear a proportional share of the liabilities and costs.

- (c) Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after the expiration of one year from the date on which the same became payable shall be paid by the Trustee into court subject to the Trustee having a right to retain thereout any expenses properly incurred by him relating to that payment.

On a winding-up, unitholders will have the right to receive their share of the net proceeds of the Trust. This is a right in addition to rights any unitholders may have under general trust law.

The Trustee is under no obligation to distribute the realisation proceeds to any unitholder where the Manager or the Trustee considers it necessary or appropriate to carry out or complete identification procedures.

On completion of the winding up, where the order declaring the Trust to be an authorised unit trust scheme has not been revoked, the Trustee shall notify the FSA in writing of that fact and at the same time the Manager or Trustee shall request the FSA to revoke the Authorisation Order.

## **21. GENERAL INFORMATION**

The annual report in respect of the Trust will be published within four months after the end of the annual accounting period. Half-yearly reports will be published within two months after the end of the half-yearly accounting period. The Manager has determined that the annual and half-yearly reports issued to unitholders will be short reports. Long reports containing the full financial statements are available on request from the Manager.

Copies of the Deed constituting the Trust, together with copies of the long-form annual and half-yearly reports, may be inspected, and photocopies obtained, at 33 Old Broad Street, London EC2N 1HZ. A charge of £5 will be made per copy Deed. The Manager also reserves the right to make a charge if asked to provide duplicate tax vouchers in respect of distributions or any other documents.

Requests for further information, or for clarification of any points, may be made to the Manager either in writing to BNY Mellon House, Ingrave Road, Brentwood, Essex CM15 8TG or by calling 0800 336600.

Where any notice or document is required to be served on a unitholder, it shall be duly served if it is (1) delivered to the unitholder's address as appearing in the register; or (2) delivered by using an electronic medium in accordance with the FSA Rules.

## **22. ADDITIONAL INFORMATION**

A unitholder is not liable to make any further payment after he has paid the purchase price of his units in full and no further liability can be imposed on him in respect of units which he holds.

### **GENERAL RISK INFORMATION**

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

#### **1. General**

The investments of the Trust are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in the Trust. There is no assurance that the investment objective of the Trust will actually be achieved.

Unit trusts should be regarded as medium to long term investments. The value of your investment and the income arising from it could go down as well as up and you may not get back what you invested, particularly if you do not hold units for the medium to long term.

The levels, bases and reliefs from taxation can change. Any rates of tax to which this Prospectus refers are those which are currently available.

Past performance is not a guide to future performance.

## 2. Property

Property investment is a specialist sector. You should contact a financial advisor if you have any doubts about the suitability of this Trust for your needs.

The Trust invests in property and may experience difficulties or delays in selling these assets. Consequently, there may be constraints when redeeming units.

The Trust is generally invested in direct UK commercial property which is a less liquid asset than other asset classes such as bonds or equities and values could be affected if properties need to be sold in a short timescale. The Trust may also invest in residential type properties which can give rise to additional risks associated with the residential nature of the property for example such as reputational and logistical risks. It is a specialist sector which could be volatile in adverse market conditions.

If the value of the Trust falls significantly, it may not be possible to maintain the same diversification of risk, as the Trust may hold fewer properties.

Property valuation is a matter of judgement by an independent valuer. Therefore, it is generally a matter of a valuer's opinion rather than fact.

## 3. Cancellation

If in accordance with Section 13 cancellation rights are exercised and the value of the Trust has fallen when notice is received, you will not receive a full refund.

## 4. Cash or near cash

The Manager's policy is to make use of the flexibility to hold cash and near cash as it considers appropriate. In volatile and adverse market conditions as well as during periods where there are large inflows of new subscriptions, the Trust may hold a substantial proportion of the scheme property of the Trust in cash and/or near cash.

## 5. Price of units

The inherent costs of buying and selling property assets are substantial. The costs of buying a property include stamp duty up to 5% and legal and valuation fees. The costs of selling a property include legal and marketing costs. Therefore, the actual costs of purchasing or selling investments may be higher or lower than the mid-market price. In accordance with FSA Rules the Manager may have discretion to make a "dilution adjustment" and these costs may be reflected in the price at which you buy and sell units in the Trust. This can create volatility in those prices.

## 6. Charges and expenses

Charges and expenses in connection with the Trust are not made uniformly throughout its life and it is possible that an investor may not receive back the full amount of its investment especially if it is redeemed within one year.

## 7. Currency Exchange Rates

The Trust may invest in overseas property, therefore changes in exchange rates between currencies may result in the value of the investments and/or the income from them fluctuating.

## 8. Aggregation of orders

In managing the Trust, the Investment Adviser may combine orders for the Trust with those of other clients. This procedure may operate on some occasions to the disadvantage of the Trust and on others to the advantage of the Trust.

## 9. Diversified Assets

The Trust can invest in a wide range of asset classes, each category of asset which may include but is not limited to transferable securities, money markets, cash, near cash, deposits, government securities has

individual risks associated with them. These underlying assets are likely to vary from time to time. In addition, the Trust may invest in collective investment schemes which may themselves invest in a range of other assets. The Trust and the Manager may not have any control over the activities of any such collective investment scheme. Managers of such collective investment schemes may take undesirable tax positions, employ excessive leverage, or otherwise manage the collective investment schemes in a manner not anticipated by the Manager. In valuing the Trust, the Manager is reliant on the unit price of such collective investment schemes being delivered by third parties to the Manager by a cut-off point to enable the Manager to include that unit price in the Trust valuation. In the event that such unit price for a particular day is not delivered to the Manager by that cut-off point, the Manager will (unless its fair value pricing policy requires otherwise) use the most recent unit price that has been delivered to it. That unit price may not accurately reflect the most up to date valuation of the underlying collective investment scheme, and consequently the Trust valuation may not accurately reflect the most up to date valuation of the underlying collective investment scheme.

#### 10. Derivative-related risks

Derivatives transactions may be used for the purposes of efficient portfolio management, hedging and to meet the investment objectives of the Trust. Derivatives may be exchange traded or Over the Counter (OTC) derivatives.

Typically, managers of UK regulated collective investment schemes invest on a 'long only' basis. This means they will rise (or fall) in value based on the market value of the assets they hold. However, employing certain derivative techniques, can establish either 'long' and 'short' positions in individual stocks and markets. As a result, as well as holding assets that may rise or fall with market values, they may also hold positions that will rise as the market value falls and fall as the market value rises.

The Investment Adviser may use one or more separate counterparties to undertake derivative transactions and may be required to pledge collateral paid from within the assets of the Trust to secure such contracts. There may be a risk that a counterparty will wholly or partially fail to honour their contractual arrangements under the arrangement with regards the return of collateral and any other payments due to the Trust. The Manager measures the creditworthiness of counterparties as part of its risk management process. A counterparty may be an associate of the Manager.

**The use of derivatives has the potential to increase the risk profile of the Trust and could result in increased price volatility.** The Investment Adviser employs a detailed risk management process to oversee and manage the use of derivative within the Trust. Investors should be prepared to accept the risks that derivative-related investment can create. It is not intended that the use of derivatives in the manner described will cause the Net Asset Value of the Trust to have a high volatility or otherwise cause its existing risk profile to change.

## OTHER IMPORTANT INFORMATION

### Effect of Charges

Where a preliminary charge is imposed, an investor who realises his units after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested. Therefore, the units should be viewed as a long-term investment.

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 redemption value rather than the initial value of the units. If the market value of the units has increased the redemption charge will show a corresponding increase. Currently there is no redemption charge levied on units.

The Manager reserves the right to reject any application in whole or in part where empowered to do so by the FSA Rules. A purchase or sale of units in writing or by telephone is a legally binding contract.

Please note that, for your protection and that of the Manager, telephone calls may be recorded.

To the best of the knowledge and belief of the Manager (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 FSA Rules to be included in it. It accepts responsibility accordingly. Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of units.

## **COMPLAINTS**

In the event of an investor having a complaint, they should write to the Manager setting out the grounds for the complaint at:

SWIP Fund Management Limited, BNY Mellon House, Ingrave Road, Brentwood, Essex, CM15 8TG. .

All complaints will be investigated and, unless the complaint is resolved to the satisfaction of the complainant within 8 weeks after its receipt by the Manager, the complainant in most cases will have a right to refer the complaint to the Financial Ombudsman Service.

The Financial Ombudsman Service will normally only consider your complaint after having given SWIP Fund Management Limited the opportunity to resolve the complaint to the satisfaction of the customer.

The address for the Financial Ombudsman is:

The Financial Ombudsman Service  
South Quay Plaza  
183 Marsh Wall  
London  
E14 9SR

## **BOX MANAGEMENT**

The Manager is a passive box manager and will not hold units on its own account other than to cover balances for administrative purposes. The Manager will therefore create or liquidate sufficient units on a daily basis to satisfy requirements. The Manager does not actively seek to make a profit from holding units as principal.

In accordance with the Manager's internal procedures to manage risk, the Manager has adopted certain internal limits on box holdings and a process setting out the circumstances in which those limits may be exceeded.

## **CONFLICTS OF DUTY OR INTEREST**

The Manager, the Investment Adviser and other companies within the Lloyds Banking Group (the "Group") may, from time to time, act as investment managers or advisers to other collective investment schemes (or sub-funds thereof) or to other persons, which follow similar investment objectives, policies or strategies to those of the Trust. It is therefore possible that any of those parties may in the course of its business have potential conflicts of duty or interest with the Trust. Each of the Manager and the Investment Adviser will, however, have regard in such event to its obligations to the Trust where potential conflicts of interest may arise.

The Group has established and implemented a conflicts policy (which may be revised and updated from time to time) pursuant to the FSA Rules, which sets out how members of the Group (including, for the avoidance of doubt, the Manager and the Investment Adviser) must seek to identify and manage all material conflicts of interest. Such conflicts of interest can occur in Group members' day to day business activities, for example, where one of a Group member's clients could make a gain at the direct expense of another Group member's client, or a Group member might be faced with an opportunity to make a gain but this would be to the direct disadvantage of one or more of the Group's clients.

Depending on the exact nature of the conflict of interest involved, a Group member may take certain actions in accordance with the conflicts policy to mitigate the potential impact of the conflict. Such actions may include putting in place controls between the opposing sides of the conflict, which may control or prevent the exchange of information, and/or involve the appropriate management of staff activities and segregation of duties. Where such controls would be insufficient to eliminate the potential material risk of damage to clients from specific conflicts, the relevant Group member will disclose the general nature and/or source of those conflicts of interest to you prior to undertaking the relevant business.

The conflicts policy is available to unitholders on request.

## 23. OTHER REGULATED COLLECTIVE INVESTMENT SCHEMES

SWIP Fund Management Limited is also the manager of the following authorised unit trusts:

- (a) SWIP Capital Trust
- (b) SWIP Diversified Assets Fund (formerly known as SWIP Managed Portfolio Trust)

The Manager also acts as the authorised corporate director of the following authorised investment companies with variable capital:

- (a) Scottish Widows Investment Partnership Investment Funds ICVC
- (b) Scottish Widows Investment Partnership Investment Funds UK ICVC
- (c) SWIP NURS ICVC

## 24. HISTORICAL PERFORMANCE

Historic Performance	Q4 2004	Q4 2005	Q4 2006	Q4 2007	Q4 2008
	– Q4	– Q4	– Q4	– Q4	– Q4
Percentage growth	2005	2006	2007	2008	2009
SWIP Property Trust	17.81%	15.85%	-11.01%	-18.95%	1.36%

Please note that the historical performance figures given above relate to the period before the change to a single pricing model. Accordingly, the comparison of movements in the price of units is given on a Bid to Bid basis.

This table shows performance for five 12 month periods on a rolling quarter basis up to 31<sup>st</sup> December 2009. If you wish to obtain current information regarding the performance of the trust please contact 0800 336600, or write to the Manager at SWIP Fund Management Limited, Mellon House, Ingrave Road, Brentwood, CM15 8TG.

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

Source: Lipper Hindsight

## 25. PROFILE OF TYPICAL INVESTOR

The Trust is marketable towards retail and institutional investors who should have regard to both the Investment Objective and Policy of the Trust (detailed in Schedule 6) and the general risk information (detailed in Section 22 above) of this Prospectus. Investors are advised to consult with their professional advisers in respect of any investment decision.

## 26. BASE CURRENCY OF THE TRUST

The base currency of the Trust is Sterling.

# **SCHEDULE 1**

## **DIRECTORS OF SWIP FUND MANAGEMENT LIMITED AND SIGNIFICANT ACTIVITIES OF THE DIRECTORS NOT CONNECTED WITH THE BUSINESS OF SWIP FUND MANAGEMENT LIMITED:**

### **Dean R Buckley**

Directorships of:

Scottish Widows Investment Partnership Limited  
Scottish Widows Investment Partnership Group Limited  
SWIP Multi-Manager Funds Limited  
Lloyds TSB Investments Limited  
Pensions Management (SWF) Limited  
SWIP Saudi Asset Management (in liquidation)

### **Andrew J November**

Directorships of:

Lloyds TSB Investments Limited  
Scottish Widows Investment Partnership Limited  
Scottish Widows Investment Partnership Group Limited  
Waverley General Private Equity Limited  
Waverley Healthcare Private Equity Limited  
SWIP Multi-Manager Funds Limited  
Hill Samuel Personal Portfolio Managers Limited (in liquidation)  
Lloyds Bank SF Nominees Limited  
Pensions Management (SWF) Limited  
SW No1 Limited  
LSTBPPF Nominee 1 Limited  
LSTBPPF Nominee 2 Limited  
PM Nominee 1 Limited  
PM Nominee 2 Limited  
PM Nominee 3 Limited  
PM Nominee 4 Limited  
PM Nominee 5 Limited  
PM Nominee 6 Limited  
PM Nominee 7 Limited  
PM Nominee 8 Limited  
Lloyds Bank Wardour Street (Jersey) Limited  
SWIP (Luxembourg) S.a.r.l  
SWIP Holdings (Luxembourg) S.a.r.l

SWIP Portfolios LLC  
SWIP Islamic SICAV  
SWIP Investment Cash OEIC plc  
SWIP Saudi Asset Management (in liquidation)

Ramsay Urquart

Directorships of:

Scottish Widows Investment Partnership Limited  
Lloyds TSB Investments Limited  
Scottish Widows Investment Partnership Group Limited  
SWIP Multi-Manager Funds Limited

Antonio Lorenzo

Directorships of :-

Lloyds TSB Investments Independent Financial Advisers Limited  
Lloyds TSB Investments Limited  
Lloyds TSB Private Banking Limited  
Scottish Widows Investment Partnership Group Limited  
Scottish Widows Investment Partnership Limited  
Scottish Multi-Manager Funds Limited

## **SCHEDULE 2**

# **DETERMINATION OF NET ASSET VALUE**

### **CALCULATION OF NET ASSET VALUE**

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

1. all the Scheme Property (including receivables) is to be included, subject to the following provisions;
2. property which is not an asset dealt with in paragraphs 3 to 5 (inclusive) below shall be valued as set out below and the prices used shall (subject as set out below) be the most recent prices which it is practicable to obtain:
  - (a) units or shares in a collective investment scheme:
    - (i) if a single price for buying and selling units or shares is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial or preliminary charge included therein and the selling price has been increased by any exit or redemption charge attributable thereto; or
    - (iii) if, in the opinion of the Manager, 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 Manager's best estimate of the value of the units or shares, at a value which, in the opinion of the Manager, is fair and reasonable;
  - (b) any other transferable security:
    - (i) if a single price for buying and selling the security is quoted, at that price; or
    - (ii) if separate buying and selling prices are quoted, at the average of the two prices; or
    - (iii) if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no price exists or if the most recent price available does not reflect the Manager's best estimate of the value of the security, at a value which, in the opinion of the Manager, is fair and reasonable;
  - (c) property other than that described in sub-paragraphs (a) and (b) above or at paragraphs (3) to (5) below, at a value which, in the opinion of the Manager, represents a fair and reasonable mid-market price;
3. cash and amounts held in current, deposit and margin accounts and in other time-related deposits shall be valued at their nominal values;
- 3A. approved money market instrument which have a residual maturity of less than three months and have no specific sensitivity to market parameters, including credit risk, shall be valued on an amortised cost basis;
4. exchange-traded derivative contracts shall be treated as follows:
  - (a) if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
  - (b) if separate buying and selling prices are quoted, at the average of the two prices;
- 4A. over-the-counter derivative contracts shall be valued on the basis of an up-to-date market valuation which the Manager and the Trustee have agreed is reliable or if this is not available on the basis of a pricing model which the Manager and the Trustee have agreed;
5. immovable property shall be calculated in accordance with COLL 5.6.20 of the FSA Rules and any valuation under the said COLL 5.6.20 shall have effect until the next valuation under that rule. Where the Manager and the Trustee or the Standing Independent Valuer have reasonable grounds to believe that the most recent valuation of an immovable does not reflect the current value of that immovable, the Manager should consult and agree with the Standing Independent Valuer a fair and reasonable value of the immovable.
6. all instructions given to issue or cancel units shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case;

7. subject to paragraph 8 below, agreements for the unconditional sale or purchase of property (excluding futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options) 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 they are made shortly before the valuation takes place and, in the opinion of the Manager, their omission will not materially affect the final net asset amount;
8. all agreements are to be included under paragraph 7 which are, or ought reasonably to have been, known to the person valuing the property;
9. deduct an estimated amount for anticipated tax liabilities (on unrealized gains where the liabilities have accrued and are payable out of the Scheme Property; on realized gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) at that point in time including (as applicable and without limitation) any liability for capital gains tax, income tax, corporation tax, value added tax, stamp duty and stamp duty reserve tax;
9. deduct an estimated amount for any liabilities payable out of the Scheme Property and any tax thereon, for this purpose treating periodic items as accruing from day to day;
10. deduct the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings;
11. add an estimated amount for accrued claims for tax of whatever nature which may be recoverable;
12. add any other credits or amounts due to be paid into the Scheme Property;
13. add a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received;
14. currencies or values in currencies other than base currency 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 unitholders or potential unitholders.

#### **PROPORTIONATE INTERESTS**

1. If there is more than one class of units in issue, the proportionate interests of each class of units in the assets, income and liabilities of the Trust shall be ascertained as follows:
  - (a) A notional account shall be maintained for each class of units. Each account shall be referred to as a "Proportion Account".
  - (b) The word "proportion" in the following paragraphs means the proportion which the balance on a Proportion Account at the relevant time bears to the balance on all the Proportion Accounts of the Trust at that time.
  - (c) There shall be credited to a Proportion Account:
    - (i) the subscription money (excluding any initial or preliminary charges or SDRT provision) for the issue of units of the relevant class;
    - (ii) that class's proportion of the amount by which the net asset value of the Trust exceeds the total subscription money for all units in the Trust;
    - (iii) that class's proportion of the Trust income received and receivable;
    - (iv) any notional tax benefit under paragraph (e) below; and
    - (v) that class's proportion of any SDRT provision paid in respect of the issue, sale and/or redemption of units in the Trust.
  - (d) There shall be debited to a Proportion Account:
    - (i) the redemption payment (including any exit or redemption charges payable to the Manager but excluding any SDRT provision) for the cancellation of units of the relevant class of units;
    - (ii) that class's proportion of any amount by which the net asset value of the Trust falls short of the total subscription money for all units in the Trust;

- (iii) all distributions of income (including equalisation if any) made to unitholders of that class of units;
  - (iv) all costs, charges and expenses incurred solely in respect of that class of units;
  - (v) that class's proportion of the costs, charges and expenses incurred in respect of that class of units and one or more other classes of units, but not in respect of the Trust as a whole;
  - (vi) that class's proportion of the costs, charges and expenses incurred in respect of or attributable to the Trust as a whole; and
  - (vii) any notional tax liability under paragraph (e).
- (e) Any tax liability in respect of the Trust and any tax benefit received or receivable in respect of the Trust shall be allocated between unit classes in order to achieve, so far as possible, the same result as would have been achieved if each class of units were itself the Trust so as not materially to prejudice any class of units. The allocation shall be carried out by the Manager after consultation with the auditors.
- (f) Where a class of units is denominated in a currency which is not the base currency, the balance on the Proportion Account shall be converted into the base currency in order to ascertain the proportions of all unit classes. Conversions between currencies shall be at a rate of exchange decided by the Manager as being a rate that is not likely to result in any material prejudice to the interests of unit holders or potential unit holders.
- (g) The Proportion Accounts are notional accounts maintained for the purpose of calculating proportions. They do not represent debts from the Trust to unitholders or the other way round.
2. Each credit and debit to a Proportion Account shall be allocated to that account on the basis of that class's proportion immediately before the allocation. All such adjustments shall be made as are necessary to ensure that on no occasion on which the proportions are ascertained is any amount counted more than once.
  3. When units are issued thereafter each such unit shall represent the same proportionate interest in the property of the Trust as each other unit of the same denomination and class of units then in issue and the respective proportion of income allocated to a particular class shall be allocated equally between each unit of the same class.
  4. A different method of calculating the proportionate interests of each class from that set out in this Part of Schedule 2 provided that such method is fair to unitholders and that it is reasonable to adopt such method in the given circumstances.

## **SCHEDULE 3**

# **INVESTMENT POWERS, RESTRICTIONS AND CONDITIONS**

The investment powers of the Manager are contained in the FSA Rules.

The Scheme Property of the Trust will be invested with the aim of achieving the investment objective of the Trust but subject always to the limits of investment set out in COLL 5.6 of the FSA Rules as they apply to non-UCITS Retail Schemes and the Trust Deed, as applicable.

A summary of the investment limits under the FSA Rules which apply to a non-UCITS retail scheme is set out below. This summary is subject to the investment objective and policy (see Schedule 6):

1. The property of a non-UCITS retail scheme may except where otherwise provided for in COLL 5.6 of the FSA Rules, consist of any one or more of:
  - transferable securities;
  - money-market instruments;
  - units in collective investment schemes (see 13 below);
  - derivatives and forward transactions;
  - deposits (see 9 below);
  - immoveables (see 16 to 22 below); and
  - gold (see 10 below).

Transferable securities and money-market instruments must (i)(a) be admitted to or dealt in on an eligible market; or (i)(b) be recently issued transferable securities provided the terms of the issue include an undertaking that application will be made to be admitted to an eligible market and such admission is secured within a year of issue; or (i)(c) be approved money market instruments (as defined for the purposes of the FSA Rules) not admitted to or dealt in on an eligible market provided that certain requirements of the FSA Rules are satisfied; or (ii) subject to a limit of 20% in value of the scheme property be (a) transferable securities which are not within (i) above; or (b) or money-market instruments which are liquid and have a value which can be determined accurately at any time. The eligible markets are listed in Schedule 5. New eligible markets may be added to the lists in the manner described in that Schedule.

- 1A. Not more than 5% of the Net Asset Value of the scheme property may consist of transferable securities which are warrants. Call options are not deemed to be warrants for the purposes of this 5% restriction.
2. The limitations in 3 to 6 do not apply in respect of government and public securities.
3. Not more than 20% in value of the scheme property may consist of deposits with a single body (and for this purpose all uninvested cash comprising capital property of the Trust that the Trustee holds should be included in calculating the total sum of the deposits held by it on behalf of the Trust). A "single body" is the person with whom a deposit is placed.
4. Not more than 10% in value of the scheme property may consist of transferable securities or money-market instruments issued by any single body, except that (i) the figure of 10% may be increased to 25% in value of the scheme property in respect of covered bonds (although, as at the date of this Prospectus, the Trust can not invest in covered bonds); and (ii) the figure of 10% may be increased to 20% in value of the scheme property in shares and debentures which are issued by the same body where the aim of the investment policy of that scheme is to replicate the performance or composition of an index (which index must have a sufficiently diverse composition, be representative of a benchmark for the market to which it refers and be published in an appropriate manner). Where justified by exceptional market conditions and in respect of one body only, the figure of 20% may be increased to 35%.

5. The exposure to any one counterparty in an over the counter derivative transaction must not exceed 10% in value of the scheme property. For the purposes of calculating the limits in this paragraph 5,
  - (1) 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 conditions specified below:
    - (a) the collateral is marked-to-market on a daily basis and exceeds the value of the amount at risk;
    - (b) the collateral is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
    - (c) the collateral 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 the collateral
    - (d) can be fully enforced by the Scheme at any time.
  - (2) OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
    - (a) 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; and
    - (b) are based on legally binding agreements.

In applying this paragraph, all derivative 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: (a) it is backed by an appropriate performance guarantee; and (b) it is characterised by a daily mark-to-market valuation of the derivative positions and an at least daily margining.

6. Subject to 13 below up to 35% in value of the scheme may consist of the units of any one scheme. For this purpose, each sub-fund of a collective investment scheme which is structured as an umbrella is treated as a separate scheme.
7. Up to 35% in value of the scheme property may be invested in government and public securities issued by any one body, in which case there is no limit on the amount which may be invested in such securities or in any one issue.
8. More than 35% in value of the scheme property can be invested in government and public securities issued by any one body provided that (a) the manager has before any such investment is made consulted with the trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the trust; (b) no more than 30% in value of the scheme property of that trust consists of such securities of any one issue; (c) the scheme property of that trust includes such securities issued by that or another issuer of at least six different issues; and (d) certain details have been disclosed in the prospectus.
9. A non-UCITS retail scheme may invest in deposits only with an approved bank and which is repayable on demand or has the right to be withdrawn, and matures in no more than twelve months.
10. Not more than 10% in value of the scheme property may include gold.
11. In and for the purposes of 4, 7 and 8 above, "issue", "issued" and "issuer" include "guarantee", "guaranteed" and "guarantor" and 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.

#### **NIL AND PARTLY PAID SECURITIES**

12. Nil or partly paid securities are only eligible for investment provided it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the scheme, at the time when payment is required, without contravening the rules of COLL 5 of the FSA Rules.

## UNITS IN COLLECTIVE INVESTMENT SCHEMES

13. A non-UCITS retail scheme must not invest in units in a collective investment scheme unless that other scheme (1) (a) satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or (b) is a non-UCITS retail scheme; or (c) is recognised under the provisions of section 270 of the Act; or (d) is constituted outside the UK and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or (e) is a scheme not falling within (a) to (d) 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; (2) operates on the principle of the prudent spread of risk; (3) is prohibited from having more than 15% in value of the property of its scheme property consisting of units in collective investment schemes; and (4) the participants must be entitled to have their units redeemed in accordance with the scheme at a price (a) related to the net value of the property to which the units relate and (b) determined in accordance with the scheme. Where the other scheme is an umbrella, the provisions of 13 (2) to (4) above apply to each sub-fund as if it were a separate scheme. **Not more than 15% of the Scheme's assets may be invested in aggregate in units of collective investment schemes.** Subject to the FSA Rules, the Scheme Property may also include units in one or more collective investment schemes which are managed or operated by the Manager or an Associate of the Manager, or (in the case of any such collective investment scheme which is an ICVC) in relation to which the Manager or its Associate is also the Authorised Corporate Director.
14. Non-UCITS retail schemes may invest in another collective investment scheme managed or operated by, or which has as its authorised corporate director, the Manager or an Associate of the Manager provided that certain provisions of the FSA Rules regarding investment in such scheme are complied with.

## DERIVATIVES AND FORWARD TRANSACTIONS

15. Only certain types of derivatives and forward transactions can be effected for a non-UCITS retail scheme, namely:
- transactions in approved derivatives (i.e. traded or dealt in on an eligible derivatives market); and
  - permitted over the counter transactions in derivatives.

The underlying must consist of any or all of the following (to which the trust is dedicated): transferable securities; permitted money-market instruments; permitted deposits; permitted derivatives; permitted collective investment scheme units; financial indices (which meet the tests in COLL 5.2.20 AR of the FSA Rules); interest rates; foreign exchange rates and currencies. A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market. A derivatives transaction must not cause a trust to diverge from its stated investment objective and must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money-market instruments, collective investment scheme units or derivatives.

Any forward transaction must be with an eligible institution or an approved bank.

Where a non-UCITS retail scheme invests in derivatives, the exposure to the underlying assets must not exceed the limits in points 3 to 7 above.

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

Subject to the Manager taking account of the requirements of COLL 5.6.3 of the FSA Rules, where the Trust invests in an index-based derivative, the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7 and COLL 5.6.8 of the FSA Rules provided the relevant index falls within COLL 5.6.23 of the FSA Rules.

A derivative or forward transaction which will or could lead to the delivery of property for the account of a non-UCITS retail scheme may be entered into only if such property can be held for the account of such trust and the manager having taken reasonable care determines that delivery of the property under the transaction will not occur and will not lead to a breach of the FSA Rules.

Except in relation to deposits, no agreement by the manager on behalf of the trust to dispose of property or rights may be made unless the obligation (and any other similar obligation) could immediately be honoured by delivery of the property or the assignment (or, in Scotland, assignation)

of rights and the property and rights are owned on behalf of the trust at the time of the agreement.

The above paragraph does not apply where:

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

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

A transaction in an over the counter derivative must be (1) with an approved counterparty (namely an eligible institution, an approved bank or a person whose FSA permission or Home State authorisation permits it to enter into the transaction as principal off-exchange); (2) on approved terms (i.e. if the Manager 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 that the Manager can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value; (3) capable of reliable valuation (i.e. if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy on the basis of an up-to-date market value which the Manager and the Trustee have agreed is reliable or (if this is not available) on the basis of a pricing model which the Manager and the Trustee have agreed uses an adequate recognised methodology); and (4) subject to verifiable valuation (i.e. if throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out entirely by an appropriate third party independent of the counterparty at an adequate frequency in such a way that the Manager is able to check it, or by a department within the Manager which is independent from the department managing the scheme property and which is adequately equipped for the purpose).

A transaction in a derivative or forward transaction may be entered into only if the maximum exposure (in terms of the principal or notional principal created by the transaction to which the trust is or may be committed by another person) is covered globally. Exposure is covered globally if adequate cover from the scheme property is available to meet the trust'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. Cash not yet received into the scheme property, but which is due to be received within one month, is available as cover as is property subject to a permitted stocklending transaction if the manager has taken reasonable care to determine that it is obtainable in time to meet the obligation for which cover is required. Total exposure relating to derivatives held within a trust may not exceed the net value of the scheme property.

## **PROPERTY**

16. Subject to 17 below, up to 100% of the scheme property may be held in property (for these purposes land or building ("immovable")) provided that the immovable is (1) situated in a country or territory identified in the prospectus; and (2) if situated in England and Wales or Northern Ireland is a freehold or leasehold interest or if situated in Scotland is any interest or estate in or over land or heritable right including a long lease or if situated outwith England, Wales, Northern Ireland or Scotland is equivalent to any of those interests above (or, if no such equivalent interest is available in the jurisdiction, is an interest that grants beneficial ownership of the immovable to the Trust and provides as good a title as any of the interests noted above); and (3) the manager must have taken reasonable care to determine that the title to the immovable is a good and marketable title; and (4) the manager must have received a report from an appropriate valuer containing a valuation of the immovable (with and without any relevant subsisting mortgage) and either a statement that in his opinion the immovable, if acquired by the trust, would be capable of being disposed of reasonably quickly at that valuation or that the immovable is adjacent to or in the vicinity of another immovable included in the scheme property or is another legal interest (see (3) above) in an immovable already included in the scheme property (both of which for the purposes of the investment limits with COLL 5.6 of the FSA Rules are to be regarded as one immovable) and that in his opinion the total value of both immovables would at least equal the sum of the price payable for the immovable and the existing

value of the other immovable; and (5) that an immovable must be (a) bought or be agreed by enforceable contract to be bought within six months after the receipt of the report of the appropriate valuer; (b) not be bought if it is apparent to the manager that the appropriate valuer's report could no longer be reasonably relied upon; and (c) not be bought at more than 105% of the valuation for the relevant immovable in the appropriate valuer's report.

- 16A. An overseas immovable may be held through an intermediate holding vehicle whose purpose is to enable the holding of overseas immovables by the Trust or a series of such intermediate holding vehicles, provided that the interests of unitholders are adequately protected. Any investment in an intermediate holding vehicle for the purpose of holding an overseas immovable shall be treated as if it were a direct investment in that immovable for the purposes of the FSA Rules on investment powers. Any such vehicle must meet certain requirements of the FSA Rules in relation to ownership of the vehicle, transfer of income and capital between the vehicle and the Trust, auditor and accounting reference date, consolidation of reports and purchase, sale and management of immovables (currently being those set out in COLL 5.6.18A and 5.6.18B of the FSA Rules). As at the date of this Prospectus there are no overseas immovables held in such vehicles.
17. Not more than 15% in value of the scheme property is to consist of any one immovable. Immovables which are adjacent to or in the vicinity of one another, or which are different legal interests in one immovable, shall be regarded as one immovable for this purpose. The figure of 15% may be increased to 25% once the immovable has been included in the scheme property.
18. Not more than 20% in value of the scheme property is to consist of immovables that are subject to a mortgage and any mortgage must not secure more than 100% of the value provided by the appropriate valuer (on the assumption that the immovable is not mortgaged).
19. The aggregate value of:
- (a) mortgages secured on immovables under paragraph 18 above;
  - (b) borrowing of the scheme; and
  - (c) any transferable securities that are not approved securities
- must not at any time exceed 20% of the value of the scheme property.
20. Not more than 50% in value of the scheme property may consist of immovables which are unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment.
21. The income receivable from any one group in any accounting period must not be attributable to immovables comprising more than 25% (which figure may be increased to 35% in the case of a government or public body) of the value of the scheme property.
22. No option may be granted to a third party to buy any immovable comprised in the scheme property unless the value of the relevant immovable does not exceed 20% of the value of the scheme property (together with, where appropriate, the value of units in unregulated collective investment schemes and any transferable securities which are not approved securities).

**In terms of the FSA Rules, the Manager must obtain the consent of the Trustee for the acquisition or disposal of immovable property. A list of the countries or territories in which the Trust may hold immovable property is set out in Schedule 4.**

**All immovable property forming part of the Scheme Property will be fully insured against risks of physical loss or damage and other perils considered appropriate by the Manager. All costs of such insurance will be charged to the Trust.**

## **STOCKLENDING**

23. The trustee may, at the request of the manager, enter into certain repo or stocklending transactions. Such transactions must comply with the requirements of the FSA Rules which state, inter alia that:
- all the terms of the agreement under which securities are to be reacquired by the trustees are in a form which is acceptable to the trustee and are in accordance with good practice;

- the counterparty is for the purposes of the Act, an authorised person, or a person authorised by a Home State regulator, or a person registered as a broker-dealer with the Securities and Exchange Commission of the USA or certain bank or bank branches defined in the FSA Rules; and
- collateral is obtained to secure the obligation of the counterparty and the collateral is acceptable to the trustee; is adequate in terms of the FSA Rules and is sufficiently immediate (i.e. that it can be transferred before or at the time of the transfer of the securities by the trustee or the trustee takes reasonable care to determine at the time before or at the time of transfer the collateral will be transferred at the latest by the close of business on the day of the transfer).

Such transactions must comply with the relevant requirements of the Taxation of Chargeable Gains Act 1992 together with the requirements of the FSA Rules.

#### **UNDERWRITING PLACINGS**

24. Agreements and understandings with regard to the underwriting and sub-underwriting or the acceptance of placing commitments may also, subject to certain conditions set out in the FSA Rules, be entered into for the account of a non-UCITS retail scheme.

#### **LIQUIDITY**

25. A non-UCITS retail scheme may consist of cash and near cash as may reasonably be regarded as necessary to enable the pursuit of a trust's investment objectives; or the redemption of units; or the efficient management of a trust in accordance with its objectives; or other purposes which may reasonably be regarded as ancillary to the investment objectives of a trust.

#### **BORROWING**

26. The trustee may, in accordance with the FSA Rules, and on the instruction of the manager, subject to any restrictions in the Trust Deed borrow from eligible institutions or approved banks (both as defined in the FSA Rules) on the terms that the borrowing is repayable out of the property of the scheme property within the limits prescribed in the FSA Rules from time to time.

The FSA Rules currently provide that the manager must ensure that the borrowing of a trust must not, on any business day, exceed 10% of the value of the property of that trust. These restrictions on the Trustee's borrowing powers do not apply to a back-to-back borrowing for currency hedging purposes.

## **SCHEDULE 4**

### **IMMOVEABLE PROPERTY**

Up to 100% of the Scheme Property may be held in immovable property situated in the United Kingdom.

Up to 20% (in aggregate) of the Scheme Property may be held in immovable property situated in the following countries:

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

## **SCHEDULE 5**

### **ELIGIBLE MARKETS**

In accordance with the FSA Rules, except as otherwise indicated, the Trust may deal through securities and derivatives markets which are:

- (a) regulated markets (as defined for the purposes of the FSA Rules); or
- (b) established in an EEA State which are regulated, operate regularly and are open to the public.

In addition, markets are also eligible if the Manager, after consultation with and notification to the Trustee, has decided that the market is appropriate for the purpose of investment of or dealing in the scheme property. The Trustee must take reasonable care to determine that adequate custody arrangements can be provided for the investments dealt in on such markets and that all reasonable steps have been taken by the Manager in deciding whether that market is eligible. Any such market must operate regularly, be regulated, recognised, be open to the public, be adequately liquid and have adequate arrangements for unimpeded transmission of income and capital to or to the order of investors.

A list of the other eligible securities markets and the eligible derivatives markets are indicated below. A securities or derivatives market may be added in accordance with the FSA Rules.

No market shall be an eligible securities or eligible derivatives market unless it would be eligible in terms of COLL 5 of the FSA Rules.

The additional eligible markets for the Trust are as follows:

<b>Eligible Securities Markets</b>	<b>Eligible Derivatives Markets</b>
<b>UNITED KINGDOM</b> SWX Europe	<b>UNITED KINGDOM</b> Euronext LIFFE
<b>UNITED STATES OF AMERICA</b> American Stock Exchange Boston Stock Exchange National Stock Exchange New York Stock Exchange NASDAQ Pacific Stock Exchange Philadelphia Stock Exchange	<b>UNITED STATES OF AMERICA</b> Chicago Board Options Exchange Chicago Board of Trade Chicago Mercantile Exchange New York Futures Exchange New York Stock Exchange NASDAQ
	<b>OTHERS</b> EUREX

# SCHEDULE 6

## INVESTMENT OBJECTIVE AND POLICY ETC

### INVESTMENT OBJECTIVE

The Trust aims to provide investors with a total return consistent with a balanced commercial property portfolio.

### INVESTMENT POLICY

The Trust will generally invest directly in UK commercial property. The Trust may also invest directly or indirectly in any UK property, US and continental European commercial property. The Manager may, at its discretion, also invest directly or indirectly in other asset classes (unrestricted by geographical location), as set out below.

Indirect exposure to property may be obtained through any or all of the following property related assets: transferable securities (including closed ended funds and /or warrants), collective investment schemes (including unregulated schemes) and derivatives (including futures, options, swaps, forward contracts and other derivatives) and other vehicles which invest in such assets (including, but not limited to, companies, trusts and partnerships).

The Trust may also invest in the following assets: money market instruments, cash, near cash, deposits, derivatives, other collective investment schemes (including unregulated schemes), and government securities (including but not limited to UK government bonds, other sterling denominated government bonds, overseas bonds, and supranational bonds).

### USE OF DERIVATIVES

The Trust may use derivative transactions in accordance with the FSA Rules and to the extent that these are used, this will be for investment purposes and for efficient portfolio management (including hedging).

The use of derivatives will remain "non-sophisticated". Derivative use will not be a fundamental part of achieving the investment objective and each derivative position will still be individually covered to ensure that they do not leverage the Trust's derivative exposure beyond 100% of the net asset value of the Trust.

### UNIT CLASSES, INVESTMENT MINIMA AND CHARGES

The classes of units which are available as at the date of this Prospectus together with the investment minima and the applicable charges as they relate to each of those classes of units are as set out below. The Manager may, at its entire discretion, make other unit classes available at any time.

The Manager may, at its entire discretion, waive any of the investment minima set out below in any particular case or generally.

Unit Classes:	Class A net accumulation units <sup>^</sup>	
	Class A net income units <sup>^</sup>	
	Class B net accumulation units <sup>^</sup>	
	Class B net income units <sup>^</sup>	
	Class X* net accumulation units	
	Class X* net income units	
Minimum Initial Investment:	Both Class A unit classes	£5,000
	Both Class B unit classes	£10,000,000
	Both Class X unit classes	£5,000,000
Minimum Subsequent Investment:	Both Class A unit classes	£1,000
	Both Class B unit classes	£10,000
	Both Class X unit classes	£10,000
Minimum Holding:	Both Class A unit classes	£5,000
	Both Class B unit classes	£2,000,000
	Both Class X unit classes	£2,000,000

Minimum Partial Redemption:	Both Class A unit classes	£1,000
	Both Class B unit classes	£1,000
	Both Class X unit classes	£1,000
Preliminary Charge:	Both Class A unit classes	5.00% (current)
	Both Class B unit classes	3.75% (current)
	Both Class X unit classes	3.75% (current)
Manager's Periodic Charge:	Both Class A unit classes	1.35% (current)
	Both Class B unit classes	0.75% (current)
	Both Class X unit classes	0.00% (current)

**Notes:**

^ Indicates those classes of units available as at the date of this Prospectus. The Manager may, at its entire discretion, make the other unit classes available at any time.

\* These classes of units are not available to any person other than:

- (a) institutional investors who have entered into a separate agreement with the Manager or an Associate of the Manager; or
- (b) a person to whom the Manager at its entire discretion has determined that such units may be made available.

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Registered Office in the United Kingdom at 33 Old Broad Street, London EC2N 1HZ.  
SWIP Fund Management Limited is a unit trust, OEIC and ISA Manager.  
SWIP Fund Management Limited is authorised and regulated by the Financial Services Authority and  
is entered on their register under number 122135 ([www.fsa.gov.uk](http://www.fsa.gov.uk)).

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