



---

PROSPECTUS

---

# Baring Russia Fund



**Baring Russia Fund**

Société d'Investissement à Capital Variable

Registered office: 2, rue Albert Borschette, L-1246 Luxembourg

R.C.S. Luxembourg 57 763

**PROSPECTUS**

April 2010

## INTRODUCTION

This Prospectus relates to the separate Classes of Shares of the Baring Russia Fund (the "Company"). Shares are offered on terms and conditions as further discussed in this Prospectus.

This Prospectus sets forth information concerning the Company that a prospective investor should know before investing. Investors should read this Prospectus carefully and retain it for future reference.

The distribution of this Prospectus and the offering of the Shares may be restricted in certain jurisdictions. This Prospectus does not constitute an offer or solicitation in a jurisdiction where to do so is unlawful or the person making the putative offer or solicitation is not qualified to do so or a person receiving the putative offer or solicitation may not lawfully do so. It is the responsibility of any person in possession of this Prospectus and of any person wishing to apply for Shares to inform himself of and to observe all applicable laws and regulations of relevant jurisdictions.

The Shares of the Company have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "1933 Act") and may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction (the "U.S."), or to a U.S. Person (as defined herein), except pursuant to any exemption that may be available under applicable U.S. statute, rule or interpretation.

The Company is not and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), and accordingly is restricted in the number and/or the type of beneficial holders of its Shares that may be U.S. Persons. The Articles contain provisions designed to prevent the holding of Shares by U.S. Persons under circumstances that would cause the Company to violate U.S. law, and require the immediate redemption or repurchase of Shares where such Shares are purchased or beneficially owned by U.S. Persons. Applicants may be required to declare that they are not U.S. Persons and are not applying for Shares on behalf of any U.S. Person nor reselling Shares for the benefit of any U.S. Person.

Subscriptions are accepted only on the basis of the current Prospectus as well as the current simplified Prospectus, and Shares will be available to investors through a financial intermediary such as a financial advisor, banker or broker who has an agreement with the Company.

It should be remembered that the price of Shares and any income earned on the Shares may go down as well as up, and investors may not get back the amount they have invested in the Company. Future earnings and investment performance can be affected by many factors not necessarily within the control of the Company or of the board of directors of the Company (the "Board of Directors"). For example, changes in exchange rates between currencies, changes in effective interest rates, or changes in market conditions due to a wide range of political or economic factors, as well as the performance of individual companies, may cause the value of an investment to fluctuate. No guarantees as to future performance of, or future return from, the Company can be given by the Company itself, or by the Board of Directors, by the Distributor, or any of its affiliates, or by any of their directors or officers, or by any authorised Dealers. Before investing, a prospective investor should consider the risks involved in such investment. Please see "Risk Factors" in this Prospectus.

Persons interested in purchasing, exchanging and redeeming Shares should inform themselves as to: (a) the legal requirements within their own countries for the purchase, exchange and redemption of Shares; (b) any foreign exchange restrictions which may be applicable; and (c) the income and other tax consequences of purchase, exchange and redemption of Shares. In addition, certain distributors, selected dealers and financial intermediaries may not offer all of the Classes described in this Prospectus. For more information, consult the Distributor, Dealer or your financial intermediary.

The Articles give powers to the Board of Directors to require the redemption of Shares held by any person in certain specified circumstances, including those which result in the Company or its shareholders suffering any taxation, pecuniary or other disadvantage or would cause undue risk of adverse regulatory consequences.

The purchase of Shares is deemed to be made on the basis of the information contained in this Prospectus and the simplified Prospectus, and in the latest annual and semi-annual reports, which are available from the Registered Office of the Company, its Distributor and Dealers and its agents.

Capitalised terms shall have the meaning as defined in the Glossary of Terms in this Prospectus dated November 2008.

Counterparts of this Prospectus may be made available in languages other than English. In the event of any conflict between a Translated Prospectus and the English language version of such Prospectus, the English language version shall be regarded as definitive and controlling.

## TABLE OF CONTENTS

	PAGE
INTRODUCTION.....	3
GLOSSARY OF TERMS.....	5
IMPORTANT INFORMATION.....	9
PRINCIPAL FEATURES .....	12
INVESTMENT OBJECTIVE AND POLICY .....	13
RISK MANAGEMENT PROCESS.....	14
RISK FACTORS.....	14
PROFILE OF TARGETED INVESTORS.....	19
BOARD OF DIRECTORS .....	19
THE MANAGEMENT COMPANY .....	20
INVESTMENT MANAGER.....	20
CUSTODIAN AND PAYING AGENT.....	21
DISTRIBUTOR.....	21
THE SHARES .....	22
ISSUE AND SALE OF SHARES .....	22
REDEMPTION OF SHARES.....	23
CONVERSION OF SHARES .....	24
PREVENTION OF MARKET TIMING AND LATE TRADING .....	25
DATA PROTECTION .....	25
DISTRIBUTION POLICY .....	26
CHARGES AND EXPENSES .....	26
TAXATION .....	28
SHAREHOLDER MEETINGS AND REPORTS TO SHAREHOLDERS .....	32
APPENDIX I: INVESTMENT RESTRICTIONS .....	33
APPENDIX II: TECHNIQUES AND INSTRUMENTS .....	39
APPENDIX III: DETERMINATION OF THE NET ASSET VALUE.....	41
APPENDIX IV: GENERAL INFORMATION .....	43
APPENDIX V: DOCUMENTS AVAILABLE .....	44
APPENDIX VI: SHARE CLASSES AVAILABLE FOR SUBSCRIPTION .....	46
APPENDIX VII: REGISTRATION STATUS.....	46

## GLOSSARY OF TERMS

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

Articles	The Articles of Incorporation of the Company dated November 24, 2006, and as may be supplemented or amended from time to time.
Auditor	PricewaterhouseCoopers S.à r.l. 400, route d'Esch B.P 1443 L-1014 Luxembourg
Base Currency	Denominated in USD
Benchmark Index	The MSCI 10/40 Russia Index or any other appropriate alternative index as agreed by the Board of Directors.
Board of Directors	Directors of the Company from time to time.
Business Day	Any day except a Saturday or Sunday on which banks are open for business in London and Luxembourg and on which the Russian Trading System is open or other day(s) as the Directors may determine.
Class of Shares	Shares of the Company which may differ, inter alia, in respect to dividend policies, service fees, currency hedging, other administrative services offered and distribution fees.
Company	Baring Russia Fund
CSSF	Commission de Surveillance du Secteur Financier
Custodian and Paying Agent	Northern Trust Global Services Limited, Luxembourg Branch 2, rue Albert Borschette L-1246 Luxembourg
Dealer	Any dealer or intermediary which has entered into a sub-distribution agreement with the Distributor.
Deferral Policy	The Board of Directors are entitled, with the approval of the Custodian, to limit the number of shares which may be realised on any Valuation Day to 10% of the total number of shares in issue in the Company.
Distribution Agreement	Agreement dated 1 March 2006 by which the Management Company appoints the Distributor.
Distributor	Baring International Fund Managers (Ireland) Limited Georges Court 54-62 Townsend Street Dublin 2, Ireland
Dividend Distribution	means, in relation to the dividend policy of the relevant Share Class, that dividends will be declared on such Shares and normally paid out in the relevant currency of the Share Class.
Equity Related Securities	includes, without limitation, preference shares, convertible securities, warrants on securities, instruments carrying similar rights to acquire or subscribe equity securities and securities which confer economic interests similar to equity securities.
EU	European Union.
EUR or Euro	all references to euro in the Prospectus are to the legal currency of the European Monetary Union.
GBP	all references to GBP in the Prospectus are to the legal currency of the

	United Kingdom.
Group of Companies	Companies belonging to the same body of undertakings and which must draw up consolidated accounts in accordance with Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts and according to recognised international accounting rules.
Investment Manager	Baring Asset Management Limited 155 Bishopsgate London EC2M 3XY, United Kingdom
Investment Management Agreement	Agreement dated 1 March 2006 by which the Management Company appoints the Investment Manager.
Law	The Luxembourg law of 20 December 2002 on undertakings for collective investment, as may be amended from time to time.
Legal Advisor (as to Luxembourg law)	Arendt & Medernach 14, rue Erasme L-2082 Luxembourg
Management Company	Northern Trust Luxembourg Management Company S.A. 2, rue Albert Borschette L-1246 Luxembourg
Member State	A member state of the European Union.
Mémorial	The Mémorial C, Recueil des Sociétés et Associations.
Money Market Instruments	Instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time.
NAV	Net Asset Value, as defined in Appendix III.
OECD	Organisation for Economic Co-Operation and Development.
Offer Price	The offer price per Share of the relevant Class.
Other State	Any State of Europe which is not a Member State, and any State of America, Africa, Asia, Australia and Oceania.
Performance Period	A period running for the Company's accounting year.
Prospectus	The Company's Prospectus dated November 2008, as may be supplemented or amended from time to time.
Regulated Market	A market defined in Item 20 of Article 1 of the Law, which refers to Item 13 of Article 1 of the EC Council Directive of 10 May 1993 (93/22/EEC), as amended.
Reference Currency	Currency of denomination of the relevant Class.
Registered Office	2, rue Albert Borschette L-1246 Luxembourg
Region	means the independent states of the former Soviet Union being the republics comprising the former Union of Soviet Socialist Republics other than Russia, namely, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan, the Baltic States of Estonia, Latvia and Lithuania and other members of the Commonwealth of Independent States; and references to countries in the region or the former Soviet Union shall include each such republic except where the context otherwise requires.
Regulatory Authority	The Luxembourg authority or its successor in charge of the supervision of the undertakings for collective investment in the Grand Duchy of

	Luxembourg.
Rouble	The lawful currency of Russia.
Russia	The Russian Federation and Russian shall be construed accordingly.
Share	Each share of any Class of the Company issued and outstanding from time to time.
Transferable Securities	<ul style="list-style-type: none"> <li>- Shares and other securities equivalent to Shares ("Shares");</li> <li>- bonds and other debt instruments ("debt securities"); and</li> <li>- any other negotiable securities that carry the right to acquire any such transferable securities by subscription or exchange, to the extent they do not qualify as Techniques and Instruments as described under Appendix II.</li> </ul>
Translated Prospectus	Counterparts of the Prospectus made available in languages other than English.
UCI(s)	Undertaking(s) for collective investment.
UCITS	An undertaking for collective investment in transferable securities governed by the UCITS Directive.
UCITS Directive	The Council Directive EEC/85/611 of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended.
U.S.	United States of America.
USD, US Dollar or US\$	The lawful currency of the United States.
U.S. Person	<p>The term "U.S. Person" is defined in Regulation S adopted under the U.S. Securities Act ("U.S. Person") and includes a natural person resident in the U.S.; any partnership or corporation organized or incorporated in the U.S.; any estate of which any executor or administrator is a U.S. Person; any trust of which any trustee is a U.S. Person; any agency or branch of a non-U.S. entity located in the U.S.; any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the U.S.; and any partnership or corporation if organized or incorporated under the laws of any non-U.S. jurisdiction and formed by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act unless organized and owned by accredited investors (as defined in the U.S. Securities Act) who are not natural persons, estates or trusts.</p> <p>A U.S. Person does not include: (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organized, incorporated or (if an individual) resident in the U.S.; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person, if (A) any executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate, and (B) the estate is governed by non-U.S. law; (iii) any trust of which any professional fiduciary acting as trustee is a U.S. Person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the U.S. and customary practices and documentation of such country; (v) any agency or branch of a U.S. Person located outside the U.S. if (A) the agency or branch operates for valid business reasons, and (B) the agency or branch is engaged in the</p>

business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) certain international organizations as specified in Regulation S under the U.S. Securities Act.

Valuation Day

Day on which the Net Asset Value per Share is calculated, i.e. each Business Day.

1933 Act

The United States Securities Act of 1933, as amended.

1940 Act

The United States Investment Company Act of 1940, as amended.



## **IMPORTANT INFORMATION**

The Baring Russia Fund is offering Shares on the basis of the information contained in this Prospectus and in the documents referred to herein. No person is authorised to give any information or to make any representations concerning the Company other than as contained in the Prospectus and in the documents referred to herein, and any purchase made by any person on the basis of statements or representations not contained in or inconsistent with the information and representations contained in the Prospectus shall be solely at the risk of the purchaser.

The most recent annual and semi-annual reports of the Company are deemed to be an integral part of the Prospectus and are available free of charge upon request at the Registered Office and from the Distributor.

Furthermore, the Board of Directors may decide to issue one or more Classes of Shares, each Class having (i) a specific sales and redemption charge structure; and/or (ii) a specific management or advisory fee structure; and/or (iii) different distribution, shareholder servicing or other fees; and/or (iv) different types of targeted investors; and/or (v) such other features as may be determined by the Board of Directors from time to time.

Shares of different Classes may be issued and redeemed at prices computed on the basis of the NAV per Share of the relevant Class or Classes, as more fully described below.

The Board of Directors may, at any time, create additional Classes of Shares. Upon creation of new Classes, the Prospectus will be updated or supplemented accordingly.

The Board of Directors has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or opinion. The Board of Directors accepts responsibility accordingly.

Luxembourg - The Company is registered pursuant to Part I of the Law. However, such registration does not require any Luxembourg authority to approve or disapprove either the adequacy or accuracy of the Prospectus or the assets held in the Company. Any representation to the contrary is unauthorised and unlawful.

European Union - The Company is a UCITS for the purposes of the UCITS Directive, and the Board of Directors proposes to market the Shares in accordance with the UCITS Directive in certain Member States of the European Union.

**Board of Directors:**

- Chairman:** - John Maitland
- Members:**
- Benoît du Mesnil du Buisson
  - Arthur Hartman
  - Robert Koehler
  - Shane Ross
  - Ian Pascal

**Registered Office:** 2, rue Albert Borschette  
L-1246 Luxembourg

**Promoter:** Baring Asset Management Limited  
155 Bishopsgate  
London EC2M 3XY, United Kingdom

**Management Company:** Northern Trust Luxembourg Management Company S.A.  
2, rue Albert Borschette  
L-1246 Luxembourg

**Board of Directors of the Management Company:**

- Wilson Leech, of 50 Bank Street, London E14 5NT, United Kingdom
- Stephen Biff Bowman, of 50 Bank Street, London E14 5NT, United Kingdom
- Patrice Gilson, of 2, rue Albert Borschette, L-1246 Luxembourg
- Steve David, of 2, rue Albert Borschette, L-1246 Luxembourg
- Revel Wood, of 2, rue Albert Borschette, L-1246 Luxembourg
- Gerald Brady, of Georges Court, 54-62 Townsend Street, Dublin 2, Ireland
- Susan Baines, of 50 Bank Street, London E14 5NT, United Kingdom

**Custodian and Paying Agent:** Northern Trust Global Services Limited, Luxembourg Branch  
2, rue Albert Borschette  
L-1246 Luxembourg

**Investment Manager:** Baring Asset Management Limited  
155 Bishopsgate  
London EC2M 3XY, United Kingdom

**Distributor:** Baring International Fund Managers (Ireland) Limited  
Georges Court  
54-62 Townsend Street  
Dublin 2, Ireland

**Auditor:** PricewaterhouseCoopers S.à r.l.  
400, route d'Esch  
B.P. 1443  
L-1014 Luxembourg

**Legal Adviser:**

Arendt & Medernach  
14, rue Erasme  
L-2082 Luxembourg

**Listing Agent:**

Banque et Caisse d'Epargne de l'Etat  
1, place de Metz  
L-2954 Luxembourg

## PRINCIPAL FEATURES

### Structure

The Company is an open-ended investment company incorporated under the laws of the Grand Duchy of Luxembourg as a Société d'Investissement à Capital Variable ("SICAV").

### Classes of Shares

The Directors may at any time resolve to create one or more Classes of Shares corresponding to the specific features detailed below and which will be invested in accordance with the investment objective and policy applicable to the Company. These Share Classes, where available, may be offered with different characteristics which may include various currencies, dividend policy or hedging strategy. The Directors may also at any time resolve to close the Company, or one or more Classes of Shares within the Company to further subscriptions.

In such case the Appendix VI of the Prospectus will be updated. This contains the full list of Share Classes which are available for subscription. Additional information may also be obtained from the Management Company.

From 30 April 2010, the existing share classes will be reclassified:

Class C Shares will be named "Class A USD Acc" and will remain accumulating  
Class D Shares will be named "Class A USD Inc" and will remain distributing

This is purely a naming convention change and there will be no impact to the characteristics of the existing classes as all other features will remain the same.

Specific features of each Class of Share are as follows:

Class	Minimum Initial Investment and Minimum Holding*	Minimum subsequent investment*
A	US\$5,000/€3,500/£2,500**	US\$500/€500/£500
I	US\$10,000,000/€10,000,000/£10,000,000**	US\$500/€500/£500
X	At the discretion of the Directors	n/a

\* A redemption request that would reduce the value of the holding in any one Class of Shares below such amount may be treated as a request to redeem the whole of the Shareholder's shareholding in such Class of Shares. All of the above investment limits are subject to the discretion of the Board of Directors (or its delegates) to accept lesser amounts in any particular case or generally.

\*\*in accordance with the currency of the Share Class or their equivalent to the Base Currency of the Company.

Class I is restricted to institutional investors classified within the meaning of Article 129 of the Law of 20 December 2002.

Class X will be available on a limited basis, subject to agreement with the Investment Manager.

### Offer Price

The Offer Price of additional Classes will be equal to the sum of (i) the NAV per Share of the Class A US Dollar Shares plus (ii) any applicable sales charge. The Offer Price is available for inspection at the Registered Office.

### Dealing

Shares may normally be purchased or redeemed on a daily basis at prices based on the NAV per Share of the relevant Class calculated on each Valuation Day.

### Distribution

In relation to accumulation Share Classes, all income received and capital gains realised will be capitalised and thus no distribution of dividends to shareholders is contemplated.

In relation to distribution Share Classes, dividends will be distributed to shareholders on a regular basis. See "Distribution Policy" below.

### Listing

Class A Shares shall be listed on the Luxembourg Stock Exchange.

## INVESTMENT OBJECTIVE AND POLICY

### General

#### A. Investment objective

The investment objective of the Company is to achieve a long term capital growth, principally through investment in companies operating in Russia and other members of the Commonwealth of Independent States (the "Region"). Investment will be made principally in equity and Equity Related Securities.

For these purposes a company operating in Russia or the Region means a company incorporated in that country which has its principal place of business or operations in that country, which derives the majority of its revenues and/or profits from activities in that country, or which has the majority of its assets in that country. Investment may also be made in companies operating in Russia and the Region which meet one of the above tests in relation to the Region as a whole but not in relation to any one country in the Region.

#### B. Investment Policy

The Company will seek to achieve its investment objective by investing at least 70% of its total assets at any one time in equities and equity related securities of companies domiciled in Russia or of companies exercising the predominant part of their economic activity in Russia. For this purpose, the term "total assets" excludes cash and ancillary liquidities.

The Company will not invest more than 10% of its net assets in securities which are not admitted to official listing on a stock exchange or dealt in on another Regulated Market. To the extent that the securities of companies operating in Russia or in the Region frequently do not meet such conditions, the Company will pursue its investment objective by investing in American and Global Depositary Receipts where the underlying securities are issued by the companies operating in Russia and the Region and other Equity Related Securities. Such Depositary Receipts will normally be traded on stock exchanges outside Russia and the Region.

The aforementioned limit of 10% is however not applicable where the investments shall be made in securities listed on the "Russian Trading System" and/or on the "Moscow Interbank Currency Exchange". The Russian Trading System was established in 1995 to consolidate separate regional securities trading floors into a unified regulated Russian securities market. It lists in particular leading Russian securities. The Russian Trading System establishes market prices for a wide range of stocks and bonds. The trading information is distributed worldwide through financial information services companies, such as Reuters and Bloomberg.

Moscow Interbank Currency Exchange serves as a basis for the nationwide system of trading in the currency, stocks and derivatives sectors of the financial market, covering Moscow and Russia's largest financial and industrial centers. Jointly with its partners the MICEX Group (the MICEX Stock Exchange, the MICEX Settlement House, the National Depositary Center, regional exchanges and other), the MICEX provides settlement and clearing as well as depositary services for about 1500 organisations and participants in the stock market.

The Company may also invest in cash or debt instruments. Debt instruments held by the Company will be debt securities of companies operating in Russia and the Region and governmental or supranational debt securities.

Investments are primarily in securities that are either USD or Rouble denominated or denominated in one of the currencies of the countries within the Region or OECD Member States. Securities denominated in another currency may also be held. Currency risk can be reduced by hedging.

In order to ensure efficient portfolio management, futures and options on securities, Russian equity indices, currencies and exchange traded funds as well as contracts for difference, currency futures and swaps may thus also be used. Currency futures may also be bought and sold for investment purposes. Derivatives and other techniques and instruments may also be used for hedging.

Interest rate swaps, forward rate agreements and currency financial futures can also be traded on the open market, provided such transactions are with leading financial institutions specialising in this type of transaction. The use of derivatives (including the aforementioned futures, options and swaps) and other techniques and instruments shall comply with legal requirements and limits as stated in Appendix I to this Prospectus.

The Company may invest up to 10% of its net assets in other UCITS qualifying collective investment schemes in order to gain exposure to a particular country, countries, sector or sectors where, for example, such an investment affords a practicable means of access, or where it represents an attractive investment in its own rights.

The Company may incur short-term borrowings of up to 10% of the Company's net assets for the purpose of settling transactions and/or for working capital purposes and/or meeting net redemptions.

The minimum 70% requirement, referred to above, will not apply under extraordinary market conditions and is subject to liquidity and/or market risk hedging considerations arising from the issuance, switching or redemption of Shares. In particular, in aiming to achieve the Company's investment objective, investment may be made into other transferable securities than those in which the Company is normally invested in order to mitigate the Company's exposure to market risk.

Any changes to the investment policy or restrictions in the light of political and/or economic conditions will be the responsibility of the Board of Directors who may change the investment policies or restrictions accordingly. The Articles do not restrict investment policy or the investment of the Company's assets. In the event of a change of investment policy and/or investment restrictions, shareholders will be notified and the Prospectus will be updated to reflect the change.

## **RISK MANAGEMENT PROCESS**

The Company will employ a risk-management process which enables it to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the portfolio; it will employ a process for accurate and independent assessment of the value of OTC derivative instruments. The Company classifies itself as a non-sophisticated UCITS and uses the Value at Risk approach to measure the risks associated with its investment policy.

The Company shall ensure that its global exposure relating to derivative instruments does not exceed the total Net Asset Value of its portfolio.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions. This shall also apply to the following paragraphs.

The Company may invest, according to its investment policy and within the limit laid down in Appendix I "Investment Restrictions" in financial derivative instruments provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in the Section "Investment Restrictions".

When the Company invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in the Section "Investment Restrictions".

When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this Section.

## **RISK FACTORS**

### **General**

An investment in the Company should be regarded as long-term in nature and only suitable for investors who understand the risks involved. Investment into the Company should not constitute a substantial portion of an investment portfolio, as investment in one fund is not a complete investment programme. As part of your long-term investment planning you should consider diversifying your portfolio by investing in a range of investments and asset classes.

There is no assurance that the investment objective of the Company will be achieved. Also, past performance is not a guide to future performance. The value of investments and the income from them, and therefore the value of, and income from, the Shares of each Class can go down as well as up and an investor may not get back the amount they invest. Changes in exchange rates between currencies may also cause the value of the investment to diminish or increase. An investor who realises Shares after a short period may, in addition, not realise the amount originally invested in view of the preliminary charge made on the issue of Shares.

## **No Investment Guarantee**

Investment in the Company is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account. Any investment in a Company is subject to fluctuations in value.

## **Counterparty Risk**

The Company may have credit exposure to counterparties by virtue of positions in swap agreements, repurchase transactions, forward exchange rate and other financial or derivative contracts held by the Company. To the extent that a counterparty defaults on its obligation and the Company is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights.

The Company may also be exposed to a credit risk on parties with whom it trades securities, and may also bear the risk of settlement default, in particular in relation to debt securities such as bonds, notes and similar debt obligations or instruments.

## **Derivatives, Techniques and Instruments**

### **General**

Transactions in derivatives, warrants and forward contracts may be used for the purpose of meeting the investment objectives of the Company. In pursuing the Company's objective, the Investment Manager may make use of a variety of instruments in accordance with the investment restrictions set out under Appendix I of the prospectus.

The Net Asset Value of the Company may have a high volatility due to these instruments and techniques being included in its scheme property, and due to the management techniques used.

In the case of the Company, the possible effect on its risk profile from the use of these instruments and techniques could be to increase volatility when taking additional market or securities exposure, although the intention is that volatility should not be markedly different from the Company directly holding the underlying investments.

Shareholders in the Company will, on request be provided with supplementary information relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

The prices of derivative instruments, including futures and options prices can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly markets in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The use of techniques and instruments also involves certain special risks, including:

- (1) dependence on the ability to predict movements in the prices of securities being hedged and movements in interest rates
- (2) imperfect correlation between the price movements of the derivatives and price movements of related investments,
- (3) the fact that skills needed to use these instruments are different from those needed to select the Company's securities
- (4) the possible absence of a liquid market for any particular instrument at any particular time
- (5) possible impediments to effective portfolio management or the ability to meet redemption.

### **Futures Contracts**

Futures markets may be illiquid because certain commodity exchanges limit fluctuations in certain future contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to affect trades at or within the limit. In addition, the Company may be exposed to a credit risk in relation to the counterparties with whom they

transact or place margin or collateral in respect of transactions in derivatives and may bear the risk of counterparty default.

The Company may be invested in certain derivative instruments, which may involve the assumption of obligations as well as rights and assets. Assets deposited as margin with brokers may not be held in segregated accounts by the brokers and may therefore become available to the creditors of such brokers in the event of their insolvency or bankruptcy.

### **Forward Trading**

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis.

Forward foreign exchange contracts: the Company may enter from time to time into currency exchange transactions by buying currency exchange forward contracts for hedging purposes. Forward currency exchange contracts do not eliminate fluctuations in the prices of the Company's securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline. Performance may be strongly influenced by movements in FX rates because currency positions held by the Company may not correspond with securities positions held. Forward currency transactions shall only be entered into in the currencies in which the Company normally transacts business. This hedging strategy may substantially limit holders of a specific class from benefiting if the class currency falls against the base currency and/or the currency in which the assets of the Company are denominated.

### **Over the Counter (OTC) Transactions Risk**

An OTC transaction takes place when a financial instrument is traded directly between two parties rather than through a Regulated Market. This typically occurs in markets which are still at an early stage of development and there is not a Recognised Exchange, or for securities which have limited liquidity. Currencies, spot and option contracts, certain options on currencies and swaps are also generally traded through an OTC transaction. Where the Company acquires securities through an OTC transaction, there is no guarantee that the Company will be able to realise the fair value of such securities due to their tendency to have limited liquidity.

In general, there is less regulation and supervision of OTC transactions than for transactions entered into on Recognised Exchanges. In addition, many of the protections afforded to participants on some Recognised Exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with OTC transactions. OTC options are not regulated. OTC options are non exchange-traded option agreements, which are specifically tailored to the needs of an individual investor. These options enable the user to structure precisely the date, market level and amount of a given position. The counterparty for these agreements will be the specific firm involved in the transaction rather than a Recognised Exchange and, accordingly, the bankruptcy or default of a counterparty with which the Company trades OTC options could result in substantial losses to the Company. In addition, a counterparty may not settle a transaction in accordance with its terms and conditions because the contract is not legally enforceable or because it does not accurately reflect the intention of the parties or because of a dispute over the terms of the contract (whether or not bone fide) or because of a credit or liquidity problem, thus causing the Company to suffer a loss. To the extent that a counterparty defaults on its obligation and the Company is delayed or prevented from exercising its rights with respect to the investments in its portfolio, it may experience a decline in the value of its position, lose income and incur costs associated with asserting its rights. Counterparty exposure will be in accordance with the Company's investment restrictions. Regardless of the measures the Company may implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that the Company will not sustain losses on the transactions as a result.

The use of OTC derivatives such as forward contracts, swap agreements and contracts for difference may expose the Company to the risk that the legal documentation of the contract may not accurately reflect the intention of the parties.

### **Currency of Denomination of Shares**

A Class of Shares of the Company may be designated in a currency other than the Base Currency of the Company. Changes in the exchange rate between the Base Currency and such designated currency may lead to a depreciation of the value of such Shares as expressed in the designated currency.

### **Investment in Specific Sectors and Countries**

Country specific funds have a narrower focus than those which invest broadly across markets. These funds typically offer less diversification and are therefore considered to be more risky.



### **Investment in Emerging Markets**

Repatriation of investment income, capital and the proceeds of sale by the Company may require governmental consents in many developing countries. Historically, such governmental consents have been required in certain countries where this is not currently the case. The Company could be adversely affected by delays in, or refusal to grant, any such approval for the repatriation of funds or by any official intervention affecting the process of settlement of transactions. Economic or political conditions, moreover, could lead to the revocation or variation of consents granted prior to investment being made in any particular country or to the imposition of new restrictions.

### **Market Liquidity and Foreign Investment Infrastructure**

Trading volume on the stock exchange of most developing countries can be substantially less than in the leading stock markets of the developed world, so that accumulation and disposal of holdings may be time consuming and may need to be conducted at unfavourable prices. Volatility of prices can be greater than in the developed world. This may result in considerable volatility in the Net Asset Value per Share and, if sales of a significant amount of securities have to be effected at short notice in order to meet redemption requests, such sales may have to be effected at unfavourable prices which would have an adverse effect on the Net Asset Value per Share.

In certain developing countries, portfolio investment by foreign investors such as the Company may require consent or be subject to restrictions. These restrictions and any further restrictions introduced in the future could limit the availability to the Company of attractive investment opportunities.

### **Political, Social and Economic Instability**

There is in some countries a higher than usual risk of nationalisation, expropriation or confiscatory taxation, any of which might have an adverse effect on the Company's investments in those countries. Many developing countries are also subject to a higher than usual risk of political changes, government regulation, social instability or diplomatic developments (including war) which could adversely affect the economies of such countries and thus the Company's investments in those countries. Furthermore, it may be more difficult for the Company to obtain effective enforcement of its rights in certain developing countries.

The economies of many developing countries can be heavily dependent on international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, managed adjustments in relative currency values, other protectionist measures imposed or negotiated by the countries with which they trade and international economic developments generally.

### **Suspension of Trading**

A securities exchange typically has the right to suspend or limit trading in any instrument traded on that exchange. A suspension could render it impossible for the Investment Manager to liquidate positions and thereby expose the Company to losses.

### **Market Disruption Risk**

The Company may be exposed to the risk of incurring large losses in the event of disrupted markets. Disruptions can include the suspension or limit on trading of a financial exchange and disruptions in one sector can have an adverse effect on other sectors. If this happens, the risk of loss to the Company can be increased because many positions may become illiquid, making them difficult to sell. Finance available to the Company may also be reduced which can make it more difficult for the Company to trade.

### **Specific Risks of Investing in Russia**

Described below are certain risk factors which relate to investing in Russia and other countries in the Region and which are not usually associated with investing in securities of issuers in the developed capital markets of North America, Japan or Western Europe or in many other emerging markets. They are additional to the normal risks inherent in any equity or debt investments.

The factors disclosed below should not be considered to be an exhaustive list of risks which potential investors should consider before investing in the Company. Potential investors should be aware that an investment in the Company may be exposed to other risks of an exceptional nature from time to time.

### **Accounting Practices and Quality of Information**

Accounting standards in Russia and in most (if not all) of the countries in the Region do not meet International Accounting Standards. In addition, auditing requirements and standards differ from those generally accepted in the international capital markets.

Investors in the Region generally have access to less-reliable and less-detailed information than in respect of investments in Western European countries and the United States, including general economic data and information concerning the operations, financial results, capitalisation, financial obligations, earnings and securities of specific enterprises. Obligations on companies to publish information are also more limited, thus further restricting opportunities for the Company to carry out due diligence. At present, the Company will be obliged to make investment decisions and investment valuations on the basis of financial information that will be less complete and reliable than that customarily available in the West. Also, the quality and reliability of official data published by the governments of countries in the Region and of local governments in those countries and of their respective agencies is generally less reliable than that produced by Western European countries and the United States.

## **Taxation**

Investors should be aware that the legal systems, including the tax laws of each of Russia and the other countries in the Region, are constantly undergoing change, often with retroactive effect. All of the countries in the Region have under developed tax systems and in most cases, do not have tax enforcement officials with organised training or substantial experience. In most cases, there is no central taxing authority, no uniform, predictable or publicly available interpretation of laws and regulations and no organised appeals process. In addition, by Western standards Russia and most of the other countries in the Region have under developed market economies and less structured financial systems. At the time of making any investment, the Investment Manager will have due regard to its understanding of the then current taxation regime in the relevant jurisdiction.

## **Settlement and Custody Risk**

Settlement, clearing and registration of securities transactions in Russia and other countries in the Region are subject to significant risks not normally associated with markets in Western Europe and the United States. Stock exchanges in the Region may not have similar kinds of rules and controls to those in more developed stock exchanges in Western countries. In particular there may be no approved settlement procedure and transactions may be settled by a free delivery of stock with payment of cash in an uncollateralised manner. This may give rise to a credit risk in relation to the counterparty. In general there may be an increased risk of defaults and delays in settlement in many of the markets in the Region, when compared to the markets in Western Europe and the United States. Due to local postal and banking systems, no guarantee can be given that all entitlements attaching to securities acquired by the Company, including in relation to dividends, will be realised.

In Russia, local custody services remain less developed than in the West and although the Custodian will so far as is reasonably practicable put in place control mechanisms, including the selection of agents to register securities on behalf of the Company and regular reconciliation of entries on relevant share and securities registers to ensure on a best efforts basis the continued recording of the Company's interests, there is a transaction and custody risk involved in dealing in Russian equities and other securities.

## **Synthetic Products**

Some Russian and other equity and debt instruments may be subject to restrictions on ownership by foreign investors and on repatriation of payments of capital and income and principal and interest on such instruments. In the light of these restrictions, the Company may enter into contracts with counterparties who themselves have an on-shore presence in the relevant country or who have arrangements in place with on-shore entities in such countries such that they are not subject, or are not intended to be subject, to the restrictions on foreign ownership and repatriation. Under such contracts, the Company will make a principal payment or payments to the relevant counterparty, the return of which (together with any gain thereon), is linked to and dependent upon inter alia, the capital and/or income payments on or sales proceeds of the equity instrument or the interest and/or principal payments on the debt instrument as well as to the relevant rates of exchange prevailing between any relevant currencies. The Company will endeavour to contract with counterparties which are reputable financial institutions. In such circumstances, the counterparty risk lies with each party with whom the Company contracts for the purpose of making investments (the counterparty) and, where relevant, the entity in the relevant country with whom the counterparty has made arrangements to ensure an on-shore presence in the relevant country. The Company may not be entitled to assert any rights against the entity in Russia with whom it does not have a contractual relationship. The Company may not be able to procure that the counterparty asserts its own rights, if any, against the on-shore entity in Russia with whom it has made arrangements. In the event of the counterparty's insolvency the Company will only rank as an unsecured creditor. In the event of the insolvency of any entity in any relevant country with whom the Company does not have a direct contractual relationship, it is likely that the Company will lose its entire investment. The effect of the synthetic products structure, and in particular the ability of the Company's counterparty to invest efficiently in the relevant country from abroad, is subject to interpretation by the relevant authorities as well as to changes in the relevant laws and regulations. As a result, the Company may not get back all or any part of its investment in the synthetic products in which it invests or may find proceeds of its investment not repatriable.

## The Banking System

The banking systems in Russia and in most other countries in the Region are still developing. Companies within Russia are subject to risks of insolvency of a bank due, inter alia, to under capitalisation, concentrated debtor risk, inefficient and inexperienced management and the effect of inefficiency and fraud on bank transfers. In addition, banks have not developed the infrastructure to channel domestic savings to companies in need of finance which therefore can experience difficulty in obtaining working capital.

## Conflicts of Interests

The Investment Manager, the Management Company, any of the Board of Directors and/or their respective officers, agents or employees (as applicable) may be involved in other financial, investment or other professional activities which may on occasion cause conflicts of interest with their duties to the Company. In particular, the Investment Manager may provide advice to other clients regarding investment in the Region. In these circumstances, such persons will have regard to their respective obligations under the Investment Management Agreement to act in the best interests of the Company, so far as practicable having regard to their obligations to other clients, when potential conflicts of interest arise. Conflicts of interest may arise in the allocation of investment opportunities by the Investment Manager between the Company and other clients. If conflicts do arise, the Investment Manager will allocate such investment opportunities fairly.

## PROFILE OF TARGETED INVESTORS

The Company is suitable for more experienced investors wishing to attain defined investment objectives. The investor must have experience with volatile products. The investor must be able to accept temporary losses, thus the Company is suitable to investors who can afford to set aside the capital for at least 3 to 4 years. It is designed for the investment objective of building up capital.

## BOARD OF DIRECTORS

The Board of Directors is responsible for the overall management and control of the Company. The Board of Directors will review the operations of the Company at regular meetings and it is the current intention to meet at least twice a year.

The Board comprises six Directors:

- **John Maitland** (British, Date of Birth 23 December 1961) is Head of Private Clients at Baring Asset Management with responsibility for the development of both the onshore and offshore private client business. He joined Baring Asset Management in 2002 from Merrill Lynch where he was Managing Director for the United Kingdom and Ireland within the International Private Client Group. Prior to Merrill Lynch he worked at Schrodgers in the Institutional Equity Division. He has over 20 years' experience of investments.
- **Benoît du Mesnil du Buisson** (French, Date of Birth 6 June 1953) is responsible for Baring Asset Management's business throughout France which includes both institutional and mutual fund distribution activities. Prior to joining Baring Asset Management in 1998, he was global head of sales and client services for Dresdner RCM in France – Dresdner Bank Group. He holds a Master's degree in Financial Management from Paris IX Dauphine. He has over 30 years experience of working with investment funds.
- **The Honourable Arthur A. Hartman** (American, Date of Birth 12 March 1926) is senior consultant to APCO Associates, an organization specializing in advising senior corporate executives on strategies for foreign business development. He is a former US Ambassador both to the Soviet Union and France and his business board memberships include First NIS Regional Fund, Dreyfus Funds and the Ford Meter Box Company of Indiana.
- **Robert Koehler** (German, Date of Birth 12 January 1949) is the Chairman of the Board of Management of SGL Carbon SE, the world's largest manufacturer of carbon and graphite products. He is the Chairman of the supervisory board of the Benteler AG and a member of the supervisory boards for Heidelberger Druckmaschinen AG, Lanxess AG, Demag Cranes AG and Klöckner&Co. SE.
- **Senator Shane Ross** (Irish, Date of Birth 11 July 1949) is Senator of the parliament of the Republic of Ireland. He is also the Business Editor of the Sunday Independent, an Irish newspaper. He was formerly

executive Chairman of Dillon & Waldron stockbrokers, non-executive Chairman of the Kleinwort European Privatisation Investment Trust and a member of the joint parliamentary committee on secondary legislation of the European Communities.

- **Ian Pascal** (born in 1962) joined Barings in 2002 and is Head of Marketing at Baring Asset Management and a Director of Baring Fund Managers Limited. Ian is responsible for the marketing of Barings' range of mutual, institutional and Private Client products. He is also responsible for global media relations and corporate communications. Prior to joining Barings, Ian was Head of Marketing for Old Mutual Asset Managers. Ian has extensive experience of launching unit trusts, offshore funds, investment trusts and hedge funds. Ian received an MBA from Henley Management College.

## THE MANAGEMENT COMPANY

The Board of Directors has appointed Northern Trust Luxembourg Management Company S.A. (the "Management Company") as the Company's management company. The Management Company was established in Luxembourg on 2 February 2004. Its articles of incorporation were published in the "Mémorial" of 2 April 2004 under the number C 364; they have been amended for the last time on 29 March 2005. The Management Company is established for an unlimited period of time. The Management Company has its registered office at 2, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg. It has subscribed and paid in capital amounts to 3,000,000 EUR; the majority shareholder is Northern Trust European Holdings Limited and the second shareholder is Northern Trust Corporation. Its statutory auditors are KPMG.

A list of the companies managed by the Management Company is available upon request at the Registered Office.

The Management Company is responsible for the execution of the duties concerning the Company's investment management, central administration and distribution.

The Management Company, with the approval of the Board of Directors and in accordance with the applicable legal provisions, has delegated the execution of the following duties (as described hereunder) on the following third parties:

- the performance of the duties relating to the investment management of the Company has been delegated to Baring Asset Management Limited as Investment Manager;
- the performance of the duties relating to the distribution of Shares of the Company has been delegated to Baring International Fund Managers (Ireland) Limited as Distributor.

Without prejudice to the aforementioned delegation of duties to third parties, the Management Company remains responsible for the supervision of the respective delegated duties.

The Management Company is performing itself the duties relating to the central administration of the Company. In this respect, the Management Company is responsible for all administrative duties required by Luxembourg law, and in particular for the book-keeping, the calculation of the NAV per Share of any Class as well as for providing and supervising the mailing of statements, reports, notices and other documents to the Board of Directors and/or shareholders.

The Management Company is furthermore providing services relating to the processing of issues, redemptions, cancellations and transfers of the Shares, and the keeping of the register of Shareholders.

## INVESTMENT MANAGER

Pursuant to an Investment Management Agreement dated 1 March 2006, the Management Company has appointed Baring Asset Management Limited as investment manager of the assets of the Company who may, subject to the approval of the Board of Directors, sub-delegate their powers, in which case the Prospectus will be updated or supplemented accordingly. Under the terms of the Investment Management Agreement, the Investment Manager, subject to the supervision and ultimate responsibility of the Board of Directors as well as of the Management Company, shall have discretion to invest and reinvest the assets of the Company in accordance with the investment policies and restrictions set forth herein. The Company shall pay the Investment Manager a fee as determined from time to time in the Investment Management Agreement. The Investment Management Agreement may be terminated by either the Management Company or the Investment Manager upon 90 days' prior written notice.

The Investment Manager is a leading UK based investment manager and, as at 31 December 2009, managed total group assets of USD 46.83 billion.

Baring Asset Management is part of the MassMutual Financial Group, a global, diversified financial services organization based in the USA.

### **CUSTODIAN AND PAYING AGENT**

The Board of Directors has appointed Northern Trust Global Services Limited, Luxembourg Branch as custodian (the "Custodian") of the assets of the Company. The Custodian is a bank organised under English law and carries out all banking activities.

The Custodian carries out the usual duties regarding custody, cash and securities deposits.

In particular, and upon the instructions of the Board of Directors, it will execute all financial transactions and provide all banking facilities.

The Custodian will further, in accordance with the Law of 20 December 2002:

- a) ensure that the sale, issue, redemption and cancellation of Shares effected by the Company or on its behalf are carried out in accordance with the law and the Articles;
- b) ensure that in transactions involving the assets of the Company, any consideration is remitted to it within the customary settlement dates;
- c) ensure that the income of the Company is applied in accordance with the Articles.

The Custodian may entrust all or part of the assets of the Company, in particular securities traded abroad or listed on a foreign stock exchange or admitted to a clearing system, to such clearing system or to such correspondent banks as may be determined by the Custodian from time to time. The Custodian's liability shall not be affected by the fact that it has entrusted all or part of the assets in its care to a third party.

The Company has further appointed the Custodian as its paying agent (the "Paying Agent") responsible for the payment of distributions. The Custodian shall in addition be responsible for the payment of the redemption price of the Shares by the Company.

The rights and duties of Northern Trust Global Services Limited Luxembourg Branch, as Custodian are governed by an agreement entered into for an unlimited period of time and which may be terminated at any time by the Company or the Custodian on giving 3 months prior written notice. However, the Custodian shall continue to act as Custodian pending replacement and until all assets of the Company have been transferred to the successor custodian.

### **DISTRIBUTOR**

The Management Company, on behalf of the Company, may enter into agreements with financial intermediaries to market and place the Company's Shares in various countries throughout the world, except the United States, its territories or possessions, or other areas subject to its jurisdiction (subject to certain exceptions) and where prohibited.

Pursuant to a Distribution Agreement between the Management Company and the Distributor, the Management Company has authorized the Distributor to appoint financial intermediaries and enter into agreements with each of them, whereby such financial intermediaries shall agree to market and promote the Company's Shares to their clients who are not U.S. Persons.

Any investor may deal directly with the Management Company in order to subscribe or redeem Shares, on the same terms as if the investor had subscribed or redeemed through the Distributor or any Dealer as defined hereinafter.

The Distributor may conclude under its own liability contractual arrangements with dealers as its agents (individually referred to as a "Dealer" and collectively referred to as the "Dealers") for the distribution of Shares of the Company outside any jurisdiction that may require other distribution arrangements.

The Distributor and the Dealer may be involved in the collection of subscription and redemption orders on behalf of the Company and may, in that case, provide a nominee service for investors purchasing Shares through them. Investors may elect to make use of such nominee service pursuant to which the nominee will hold the Shares in its name for and on behalf of the investors who shall be entitled at any time to claim direct title to the Shares and who, in order to empower the nominee to vote at any general meeting of shareholders, shall provide the nominee with specific or general voting instructions to that effect.

The Management Company, the Distributor and the Dealer, as appropriate, will at all times comply with any obligations imposed by any applicable laws, rules and regulations with respect to money laundering, as they may be amended or revised from time to time, and will furthermore adopt procedures designed to ensure, to the extent applicable, that they shall comply with the foregoing undertaking. The Dealers will at all times comply with relevant money laundering laws, rules and regulations in their respective jurisdictions.

The Management Company, the Distributor and the Dealer, as appropriate, will at all times comply with all laws, rules and regulations applicable to it concerning late trading, market-timing or other excessive trading practices, in particular with the CSSF Circular 04/146 of 17 June 2004 as it may be amended or revised from time to time. The Distributor represents and covenants that it and its Dealers have adopted procedures designed to ensure to the extent applicable, that they shall comply with the foregoing undertaking.

The Shares of the Company have not been and will not be registered under the United States Securities Act or any state laws, and the Company has not been registered as an investment company under the U.S. Investment Company Act and may not be publicly offered or sold, directly or indirectly, in the U.S. or to a U.S. Person. Shares will be offered and sold only to such persons and in such a manner as will not require registration of Shares or registration of the Company under U.S. securities laws. The Company may authorize the offer and sale of Shares in the U.S. to a limited number of institutional accredited investors and qualified purchasers in transactions that are exempt from the registration requirements of the U.S. Securities Act and do not subject the Company to registration as an investment company in the U.S.

The Distributor and the Dealer shall, to the extent required by the Management Company, forward application forms and wire monies in respect of subscriptions for Shares, to the Management Company, acting on behalf of the Company. The Distributor and the Dealer shall transmit to the Management Company for the processing at the Net Asset Value applicable on such day, only orders received before the cut-off time provided for hereunder.

## **THE SHARES**

Shares are issued in each Class within the Company.

As more fully described under "Principal Features", Class A, Class I and Class X are currently offered within the Company.

Shares in any Class will be issued in registered form only. The inscription of the shareholder's name in the register of shareholders evidences its right of ownership of such registered Shares. Transfer of registered shares shall be effected under the conditions provided in the Articles.

All Shares must be fully paid-up; they are of no par value and carry no preferential or pre-emptive rights. Each Share of the Company whichever Class it belongs to is entitled to one vote at any general meeting of shareholders, in compliance with Luxembourg law and the Articles.

Fractional Shares will be issued up to 2 decimal places, and such fractional Shares shall not be entitled to vote but shall be entitled to a participation in the net results and in the proceeds of liquidation attributable to the relevant Shares in Company on a *pro rata* basis.

## **ISSUE AND SALE OF SHARES**

### **General**

Shares of each Class may be issued on any Valuation Day. Shares of each Class shall be issued or sold at the NAV per Share of the relevant Class plus the applicable sales charges calculated on the Valuation Day on which the application is received not later than 2.00 p.m. Luxembourg time.

Applications received after 2.00 p.m., Luxembourg time, by the Management Company will be processed for purchase on the next Valuation Day.

The Dealers may transmit subscription requests to the Management Company on behalf of the shareholders.

Payment for Shares will be required to be made in the Reference Currency of the relevant Class within the Company within four Business Days from the relevant Valuation Day.

Investors may be required to complete an application form for Shares or other documentation satisfactory to the Management Company or to the Distributor or any Dealer indicating that the purchaser is not a "U.S. Person".

Application forms containing such representations are available from the Management Company, Investment Manager or the Distributor.

Payments for Shares should be made by electronic bank transfer net of all bank charges (except where local banking practices do not allow electronic bank transfers), to the bank account shown in the application form or stipulated by the Management Company.

Other methods of payment are subject to the prior approval of the Management Company.

Written confirmations of shareholdings will be sent to shareholders within 1 Business Day after the relevant Valuation Day.

The Company may agree to issue Shares of the Company as consideration for a contribution in kind of securities, in compliance with the conditions set forth by Luxembourg law, in particular the obligation to deliver a valuation report from the Auditor ("*réviseur d'entreprises agréé*"), which shall be available for inspection by any shareholder at the Registered Office and provided that such securities comply with the investment objectives and policies of the Company. Any costs incurred in connection with a contribution in kind of securities shall be borne by the relevant shareholders. Contributions in kind are however expected to be accepted in exceptional circumstances only.

The Company reserves the right to reject any subscription in whole or in part, in which case subscription monies paid, or the balance thereof, as appropriate, will normally be returned to the applicant within 5 Business Days thereafter or to suspend at any time and without prior notice the issue of Shares.

No Shares of any Class will be issued during any period when the calculation of the NAV per Share is suspended by the Company, pursuant to the powers reserved to it by the Articles.

The Board of Directors shall have an absolute discretion to declare the Company or Class closed to further subscriptions. Existing shareholders of the relevant Class will be provided with prior notification of such closure and the Board of Directors shall also notify the Distributor and/or placing agents. The Board of Directors may invoke this discretion to close the Company to further subscriptions where they are satisfied that it will be in the best interests of the shareholders of the Company, given the market conditions prevailing at the time. The Board of Directors will have the discretion to re-open the Company or Class for subscription on any Valuation Day and existing shareholders will be given advance notification of such re-opening. If any of the foregoing occurs, the Prospectus will be updated accordingly.

In the case of suspension of dealings in Shares, the subscription will be dealt with on the first Valuation Day following the end of such suspension period.

### **Initial Sales Charges**

For purchases of Class A, an initial sales charge of up to 5% of the amount invested may be levied.

The sales charge shall revert to the Distributor or relevant Dealer through which the initial purchase was made. If in any country in which the Shares are offered, local law or practice requires or permits a lower sales charge than that listed above for any individual purchase order, the Company may sell Shares and may authorize the Distributor and the relevant Dealers to sell Shares within such country at a total price less than the applicable price set forth above, but in accordance with the maximum amounts permitted by the law or practice of such country.

### **REDEMPTION OF SHARES**

Each shareholder of the Company may at any time request the Company to redeem on any Valuation Day all or any of the Shares held by such shareholder in any Class.

Redemption requests should contain the following information (if applicable): the identity and address of the shareholder requesting the redemption, the number of Shares to be redeemed, the relevant Class and the name in which such Shares are registered.

Shareholders whose applications for redemption are accepted will have their Shares redeemed on any Valuation Day on which the application is received not later than 2.00 p.m. Luxembourg time by the Management Company.

Applications received after that time will be processed on the next Valuation Day.

The Distributor and the Dealers may transmit redemption requests to the Management Company on behalf of the shareholders.

Shares will be redeemed at a price equal to the NAV per Share of the relevant Class (the "Redemption Price") without charge.

The Board of Directors reserves the right to introduce a, or modify the existing, redemption charge in other circumstances if and when appropriate. In such event, the Prospectus will be amended accordingly. The Redemption Price may be higher or lower than the price paid at the time of the subscription or purchase.

Generally, the Redemption Price shall be paid within four Business Days from the relevant Valuation Day, or from the date on which the redemption request details have been received by the Management Company, whichever is the later date. Delayed payment of redemption proceeds can occur when there is a delay in the settlement of the underlying shares in the portfolio. Such delay will not exceed one month.

Payment of the Redemption Price will be made by electronic bank transfer to the account indicated by the shareholder. The Redemption Price will be paid in the Reference Currency of the relevant Class.

Shares of any Class will not be redeemed if the calculation of the NAV per Share is suspended by the Company in accordance with the Articles.

If, as a result of any request for redemption, the aggregate NAV of the Shares held by the shareholder in any one Class of Shares within the Company would fall below the minimum holding requirement indicated in the section "Principal Features", the Company may treat such request as a request to redeem the entire shareholding of such shareholder in such Class. The Company may therefore at any time give notice in writing for the realisation of Shares held directly or beneficially by any person or persons holding Share Classes with a value less than the minimum holding requirement.

Furthermore, if on any Valuation Day redemption requests pursuant to Article 8 of the Articles relate to more than 10% of the Shares in issue in the Company, the Board of Directors or a committee appointed by them for that purpose ("their delegate") may decide that part or all of such requests for redemption will be deferred on a pro rata basis for such period as the Board of Directors or their delegate consider to be in the best interests of the Company, but normally not exceeding 10 Valuation Days. On the next Valuation Day following such period, these redemption requests will be met in priority to later requests.

Where a redeeming shareholder has elected or has consented to receive realisation proceeds by an in specie distribution of stock of Shares representing 5% or more of the NAV of any Class, the Shares settled in-specie will not be included in the calculation of the percentage of the Shares for which realisation requests have been received for the purpose of determining whether the Deferral Policy may be invoked on a particular Valuation Day. Where a shareholder has elected or consented to receive part or all of the realisation proceeds in-specie, the Management Company shall advise the shareholder that a Deferral Policy may operate if cash settlement is requested.

The Articles contain at Article 10 provisions enabling the Company to compulsorily redeem Shares held by U.S. Persons and other ineligible investors.

## CONVERSION OF SHARES

Shareholders will be able to apply to convert on any Valuation Day all or part of their holding of Shares of any Class (the "original class") into Shares of another Class which are being offered at that time (the "new class") by giving notice to the Management Company in the manner set out under "Redemption of Shares". The general provisions and procedures relating to realisation set out under "Redemption of Shares" will apply equally to conversions. If as a result of any request for conversion the number or the aggregate net asset value of the Shares held by any shareholder in any Class of Shares would fall below the Minimum Holding for the relevant Class, then the Company may decide that this request be treated as a request for conversion for the full balance of such shareholder's holding of Shares in such Class.

The number of Shares of the new class to be issued will be calculated in accordance with the following formula:-

$$N = \frac{P(R \times CF)}{S}$$

where:-

N is the number of Shares of the new class to be allotted

P is the number of Shares of the original class to be converted



- R is the Redemption Price per Share of the original class applicable to redemption requests received on the relevant Valuation Day
- CF is the currency conversion factor determined by the Management Company as representing the effective rate of exchange on the relevant Valuation Day between the base currencies of the original class and the new class (where the base currencies are different)
- S is the issue price per Share of the new class applicable to subscription applications received on the relevant Valuation Day.

Charges will not normally be incurred on a conversion but the Board of Directors may at their discretion levy a conversion fee of up to 1% of the amount invested.

---

## PREVENTION OF MARKET TIMING AND LATE TRADING

**Late trading** is to be understood as the execution of a subscription or redemption order after the time limit fixed for accepting orders ("cut-off time") on the relevant day and the execution of such order at a price based on the net asset value applicable to such same day.

The Company considers that the practice of late trading is not acceptable as it violates the provisions of the Prospectus which provide that an order received after the cut-off time is dealt with at a price based on the next applicable NAV. As a result, subscriptions and redemptions of Shares shall be dealt with at an unknown NAV. The cut-off time for subscriptions and redemptions is set out for the Company in this Prospectus.

**Market timing** is to be understood as an arbitrage method through which an investor systematically subscribes and redeems shares of the same UCI within a short time period, by taking advantage of time differences and/or imperfections or deficiencies in the method of determination of the NAV of the UCI.

The Company considers that the practice of market timing is not acceptable as it may affect its performance through an increase of the costs and/or entail a dilution of the profit. As a result, the Board of Directors reserves the right to refuse any application for subscription of Shares which might be related to market timing practices and to take any appropriate measures in order to protect investors against such practice.

## DATA PROTECTION

The Company may collect information from a shareholder or prospective shareholder from time to time in order to develop and process the business relationship between the shareholder or prospective shareholder and the Company, and for other related activities. If a shareholder or prospective shareholder fails to provide such information in a form which is satisfactory to the Company, the Company may restrict or prevent the ownership of Shares in the Company and the Company, the Management Company and/or the Distributor (as the case may be) shall be held harmless and indemnified against any loss arising as a result of the restriction or prevention of the ownership of Shares.

By completing and returning an application form, shareholders consent to the use of personal data by the Company. The Company may disclose personal data to its agents, service providers or if required to do so by force of law or regulatory authority. Shareholders will upon written request be given access to personal data provided to the Company. Shareholders may request in writing the rectification of, and the Company will upon written request rectify, personal data. All personal data shall not be held by the Company for longer than necessary with regard to the purpose of the data processing.

The Distributor may use personal data to regularly inform the shareholder about other products and services that the Distributor believes may be of interest to the shareholder, unless the shareholder indicates to the Distributor on the application form or in writing that they do not wish to receive such information.

## **DISTRIBUTION POLICY**

Shares may be issued as accumulation Shares and/or as distribution Shares.

All dividends, interest and other income in respect of distribution Shares, net of all fees and other expenses of the relevant Class will be distributed annually on publication of the annual accounts of the Company. Distributions will be made no later than the last Valuation Day in February in each year, ("the Payment Date") to shareholders registered on the register of shareholders on the Valuation Day immediately prior to the date upon which such distribution is made.

The Company will automatically reinvest any distribution entitlements in further Shares in all cases where the Shareholder's anti-money laundering documentation is incomplete or has not been completed to the satisfaction of the Management Company.

Unless a shareholder otherwise requests in writing, distributions will be made on the Payment Date by issuing additional Shares of the relevant Class (free of any sales charge) on his behalf. Dividends may only be paid if, after the deduction of such dividend, the Company's capital is greater than the minimum capital required by Luxembourg law.

It is intended that, depending on the final form of the Offshore Funds Tax Regulations 2009 and HMRC guidance, applications will be made for a distribution Share Class within the Company other than accumulating Share Classes to be certified as a distributing fund or as a reporting fund for the purpose of United Kingdom taxation.

Dividends not claimed within five years of their due date will lapse and revert to the Company.

No interest shall be paid on a distribution declared by the Company and kept by it at the disposal of its beneficiary.

## **CHARGES AND EXPENSES**

### **General**

The Company shall pay out of its assets all expenses payable by it, which shall include but not be limited to formation expenses, fees payable to its Investment Manager, fees and expenses payable to its accountants, Management Company, Custodian and Paying Agent, its correspondents, its listing agent, any paying agent, any Distributor and permanent representatives in places of registration, as well as any other agent employed by the Company, the remuneration of the members of the Board of Directors, their insurance coverage, and reasonable travelling costs and out of pocket expenses in connection with board meetings, fees and expenses for legal and auditing services, any fees and expenses involved in registering and maintaining the registration of the Company with any governmental agencies or stock exchanges in the Grand Duchy of Luxembourg and in any other country, reporting and publishing expenses, including the costs of preparing, printing and distributing Prospectuses, explanatory memoranda, periodical reports or registration statements, and the costs of any reports to shareholders, all taxes, duties, governmental and similar charges, and all other operating expenses, including the cost of buying and selling assets, interest, bank charges and brokerage, postage, telephone and telex. The Company may accrue administrative and other expenses of a regular or recurring nature based on an estimated amount rateably for yearly or other periods. The fees set out below exclude the VAT which will be added to them, if applicable. At the date of this Prospectus, no VAT is applicable to the fees set out below.

### **Fees of the Management Company**

The remuneration of the Management Company shall be up to 0.15% per annum of the average net assets of the Company, subject to an annual minimum amount of GBP 33,000 for the fund accounting and transfer agency services computed on each Valuation Day and payable monthly in arrears plus a fixed fee of GBP 50,000 for management company services.

### **Fees of the Investment Manager**

The Investment Manager is entitled to receive from the Company a fee computed daily and payable monthly in arrears at an annual rate based on the Company's average daily net assets.

	<b>Management Fee</b>
A	1.50%
I	0.75%
X	None*

*\*The fee is subject to a separate agreement with Baring Asset Management Limited and is not paid from the NAV of the X Class*

## **Performance Fee**

In addition, the Investment Manager will be entitled to receive a performance fee which will be determined and calculated as follows:

The performance fee will be payable in relation to the Performance Period which is in line with the Company's accounting year.

A performance fee will be payable if:

- (i) the total return of the NAV per Share has outperformed the Benchmark Value\*; and
- (ii) the NAV per Share exceeds the High Water Mark\*\*

\* The Benchmark Value is a measure of the return of the Benchmark Index and is defined as the NAV per Share of the relevant Class, net of any performance fee, as calculated as of the last Business Day of the latest Performance Period (such day being referred to as "Calculation Day") multiplied by the return of the Benchmark Index since the previous Calculation Day.

\*\* The High Water Mark is the higher of the initial issue price or the highest NAV per Share of the relevant Class calculated as of the last Calculation Day for which a performance fee has been paid.

Where a performance fee is payable in relation to the Performance Period, it is set at 10% of the amount by which the total return on the NAV per Share, gross of performance fee, has outperformed the Benchmark Value.

If the Company outperforms both the Benchmark Value and the High Water Mark, a performance fee will be payable at the end of the Performance Period. At this point a new High Water Mark would also be set. If a performance fee is not payable, the High Water Mark remains at the same NAV on which the last performance fee was paid.

If any Shares of a particular Share Class are redeemed or converted during a Performance Period, then a proportion of the Performance Fee accrual (if applicable) at the time of the redemption or conversion and relating to the respective Class of Shares, based upon the proportion of the number of Shares being redeemed to the total number of Shares in issue in the respective Class at the time of such redemption, shall be crystallised and set aside for payment to the Investment Manager on an annual basis.

It should be noted that as the NAV per Share may differ between Share Classes, separate performance fee calculations will be carried out for the separate Share Classes which may become subject to different amounts of performance fee being payable.

The performance fee is only applicable to A and I Share Classes.

## Commissions/Brokerage

The Investment Manager and any duly appointed delegate of the Investment Manager is entitled under the Investment Management Agreement to charge commissions and/or brokerage on transactions effected by them as agents for the Company.

Where the Investment Manager or any duly appointed delegate of the Investment Manager successfully negotiates the recapture of a portion of the commissions charged by brokers or dealers in connection with the purchase and/or sale of securities for the Company, the rebated commission shall be paid to the Company. The Company will generally pay brokerage at customary institutional brokerage rates. Transactions of the Company may be entered into through associates of the Investment Manager.

The Investment Manager and its associates will not receive cash or other rebates from brokers or dealers in respect of transactions for the Company but may from time to time, enter into arrangements under which they will receive services that relate to execution or research which can be reasonably expected to assist in the provision of investment services. Such services will be paid for out of dealing commission. These costs, which will be at normal commercial rates, are not directly charged to the client, but form part of the normal dealing costs incurred by the Company. Any such arrangements will be disclosed in the Company's periodic report and accounts. Execution of transactions for the Company will be consistent with best execution standards.

## Fees of the Custodian

The fees due to the Custodian may amount up to 0.2% per year of the Company's assets. Such fee will be calculated and accrued monthly and paid out quarterly. Notwithstanding such fees, the Custodian will receive customary banking fees for transactions.

## Fees of the Distributor/Sales Charge

Class	Sales Charge
A	The Management Company, on behalf of the Company, may enter into arrangements with the Distributor and/or any Dealer providing for payment of a "sales charge" of up to 5% of the amount invested. See also "Issue and Sale of Shares" above.
I	None
X	None

Before any increase of any fee borne by the Company and payable to the Management Company, to the Investment Manager, to the Custodian, and to the Distributor, shareholders shall be notified with a period of notice and in the manner deemed appropriate by the Regulatory Authority.

## Investment in Collective Investment Schemes

In relation to investment by the Company in a collective investment scheme managed (i) directly or by delegation by the Management Company or (ii) managed by another company with which the Management Company is linked by common management and control or by a direct or indirect holding of more than 10% of the capital or voting rights of such company (collectively referred to as "Related Funds"), the following conditions will apply:

- (a) no subscription, conversion or redemption fees on account of the Company's investment in the Related Funds may be charged;
- (b) no management fee may be charged at the level of the Related Funds; and
- (c) where a commission (including a related commission) is received by the Management Company or Investment Manager by virtue of their investment in the Related Funds, the commission must be repaid into the property of the Company.

## TAXATION

**Shareholders should inform themselves of, and when appropriate consult their professional advisers on, the possible tax consequences of subscribing for, buying, holding, redeeming or otherwise disposing of Shares under the laws of their country of citizenship, residence, domicile or incorporation.**

The following summary is based on the law and practice currently applicable in the Grand Duchy of Luxembourg and is subject to changes therein.

Investors should appreciate that one of the risks inherent in investing in the Company is the unpredictability of the tax treatment to which it will be subjected in the countries in which it invests.

One result of this, is that a change in law or practice or in any applicable double tax treaty, or a change in circumstances or advice received may necessitate an adjustment to any provision previously made in respect of taxation liabilities in calculating the Net Asset Value per Share (and thus the subscription price and redemption price at which Shares are issued or redeemed). Since it will not be possible to adjust retrospectively any previous calculation of the Net Asset Value per Share (or any subscription price or redemption price), the effect of any such change will be for the benefit of continuing shareholders or, as the case may be, will be suffered by continuing shareholders.

Investors should assume that they will not be entitled to any tax credit or similar benefit in respect of any taxation to which the Company may be subject.

### **European Union Taxation of Savings Income Directive**

The Council of the EU adopted on 3 June 2003 Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments ("Directive"). Under the Directive, subject to a number of conditions, a Member State of the EU is normally required to provide the tax authorities in a second EU Member State information in respect of payments of interest or other similar income paid by a paying agent located in the first EU Member State to an individual resident in the second EU Member State. Luxembourg, in common with a number of other EU Member States and as permitted under the Directive, has for a transitional period opted instead for a default position of a tax withholding system in relation to such payments.

The Directive was implemented in Luxembourg under a law dated 21 June 2005 ("Law"). Accordingly any distributions made by a fund will be subject to the Directive as implemented by the Law if more than 15% of such fund's assets are invested in debt claims (as defined) and similarly proceeds realised by shareholders on the redemption or sale of shares in a fund will be subject to the Directive if more than 40% of such fund's assets are invested in debt claims. Such tax will be withheld at the rate of 20% until 30 June 2011 and 35% from 1 July 2011 onwards.

Consequently, the default position for a Luxembourg paying agent, that makes a payment of a distribution or redemption proceeds from a fund that has met the relevant above stated level of investment in debt claims where such payment is made directly to a shareholder who is an individual resident or deemed resident for tax purposes in another EU Member State or certain dependent or associated territories, is that such payment will, subject to the proviso set out below, be subject to withholding tax at the applicable rate indicated above.

The proviso is that no withholding tax will be withheld by the Luxembourg paying agent if the relevant individual either has specifically authorised the paying agent to report information to his domestic tax authorities or he has provided the paying agent with a certificate drawn up by his domestic tax authorities in the format required by the Law.

### **Taxation of the company in Luxembourg**

The Company is not liable to any Luxembourg tax on profits or income. The Company is, however, liable in Luxembourg to a tax of 0.05% per annum of its NAV, such tax being payable quarterly on the basis of the value of the aggregate NAV of the Company at the end of the relevant calendar quarter. No such tax is payable on the value of assets which consist of units or Shares of other Luxembourg undertakings for collective investment that have already been subject to such tax. No stamp duty or other tax is payable in Luxembourg on the issue of Shares. No Luxembourg tax is payable on the realised capital appreciation of the assets of the Company.

In respect of the I Share Class which comprises only of institutional investors classified within the meaning of Article 129 of the Law of 20 December 2002, the tax levied will be at the rate of 0.01% per annum.

The Company is liable to an initial capital tax of EUR 1,250 that was paid upon incorporation.

### **General**

Dividends and interest received by the Company on its investments may be subject to non-recoverable withholding or other taxes in the countries of origin.

In addition, the Company may be liable to certain taxes in countries where the Company carries out its investment activities. Those taxes are not recoverable by the Company in Luxembourg.

It is expected that shareholders in the Company will be resident for tax purposes in many different countries. Consequently, no attempt is made in the Prospectus to summarize the taxation consequences for each investor of subscribing, holding or redeeming or otherwise acquiring or disposing of Shares in the Company. These consequences will vary in accordance with the law and practice currently in force in a shareholder's country of citizenship, residence, domicile and/or incorporation and with their personal circumstances.

### **Luxembourg taxation of Shareholders**

Under current legislation, shareholders are not subject to any capital gains, or income tax in Luxembourg (except for (i) those domiciled, resident or having a permanent establishment in Luxembourg; or (ii) non-residents of Luxembourg who hold more than 10% of the Shares of the Company and who dispose of all or part of their holdings within 6 months from the date of acquisition; or (iii) in some limited cases, some former residents of Luxembourg who hold more than 10% of the Shares of the Company).

### **United Kingdom ("UK")**

The Directors intend to conduct the affairs of the Company so that it does not become resident in the UK for taxation purposes. Accordingly, provided the Company does not exercise a trade within the UK or carry on a trade in the UK through a permanent establishment, the Company will not be subject to UK tax other than on certain UK source income, which may be subject to withholding taxes in the UK.

It is not expected that the activities of the Company will be regarded as trading activities for the purposes of UK taxation.

However, to the extent that trading activities are carried on in the UK, the profits from such activities may in principle be liable to UK tax. Such trading profits will not however, based on the UK Finance Act 2003, be assessed to UK tax provided that the Company and Investment Manager meet certain conditions. The Directors, Managers and Investment Manager intend to conduct the respective affairs of the Company and the Investment Manager so that all those conditions are satisfied, so far as those conditions are within their respective control.

### **Shareholders**

Subject to their personal circumstances, individual Shareholders resident in the UK for taxation purposes will normally be liable to UK income tax in respect of any dividends or other distributions made by the Company, which may include amounts that are automatically or otherwise reinvested in further Shares. With effect from 22 April 2009, if any dividend or distribution is made by the Company when it holds more than 60% of its assets in interest bearing or economically similar form the resulting distribution will be treated in the hands of an individual Shareholder resident in the UK for tax purposes as a payment of yearly interest. This will mean that no tax credit will be available and that UK tax will be paid on such a distribution at the tax rates applicable from time to time to interest payments. However, with effect from 22 April 2009, if any dividend or distribution that is made by the Company when it does not hold more than 60% of its assets in interest bearing or economically similar form the resulting distribution will be treated in the hands of an individual Shareholder resident in the UK for tax purposes as a dividend on which the Shareholder will be able to benefit from a tax credit equivalent to 1/9th of the value of the dividend received with that tax credit being offsettable against any income tax payable on the dividend, for 2009/2010 at the rate of 10% for basic rate and 32.5% for higher rate individual taxpayers. This would result in no UK tax being payable on a dividend received by a basic rate taxpayer while tax would be payable equivalent to 25% of the value of a dividend received by a higher rate tax payer. For 2010/2011, UK taxpayers with taxable income of in excess of £150,000 per annum will become additional rate taxpayers and as a result dividends received by such a taxpayer will be subject to UK tax at the rate of 42.5%, which after allowing for the offset of the tax credit referred to above, will result in the payment of tax equivalent to 36.1% of the value of any dividend received. However, it will remain the case that it will not be possible to make a cash reclaim against such a tax credit in the event that any Shareholder is not in a position to be able to offset that tax credit against any UK income tax liability.

Shareholders resident in the UK for tax purposes that are subject to UK corporation tax will be liable to UK corporation tax in respect of any dividends or other distributions made by the Company although such dividends or other distributions made on or after 1 July 2009 may be exempt from UK tax provided that they fall into an exempt class and anti-avoidance legislation does not apply.

Chapter V (Section 757) of Part XVII of ICTA provides that if an investor resident or ordinarily resident in the UK for taxation purposes holds a "material interest" in an "offshore fund", then, unless the fund obtains certification as

a “distributing fund” for each accounting period of the fund during which the investor holds that interest, any gain accruing to the investor upon the sale or other disposal of the interest will be treated as an “offshore income gain” and taxed as income and not as a capital gain without in the case of individual investors, the benefit of either the annual exemption (currently £10,100) or the current 18% rate of tax.

The definition of an “offshore fund” applies to each individual share class. Each Class of Shares in the Company will therefore be viewed as a separate offshore fund while each Class of Shares is also likely to constitute a “material interest” for the purposes of the UK Taxes Act. It is anticipated that each Class of Shares will continue to be treated as an offshore fund following changes to the definition of what constitutes an offshore fund which became effective on 1 December 2009.

The Directors intend that the Company will apply for each distribution Class of Shares to be certified as a distributing fund for the purpose of United Kingdom taxation for the accounting periods ended 31 October 2009 and 31 October 2010. Details of the distribution Classes of Shares available for subscription are set out in Appendix VI. Assuming that a distribution Class of Shares qualifies as a distributing fund, Shareholders resident or ordinarily resident in the UK for taxation purposes may, unless holding that distribution Class of Shares as dealing stock (when different rules apply), be liable to UK tax on capital gains (and not income) in respect of any gains arising from the sale, redemption or other disposal of that distribution Class of Shares (save that a charge to income tax or corporation tax on income may arise on the equalisation element of the disposal proceeds). This treatment will only apply upon disposal if a distribution Class of Shares has been certified as “distributing” during the entire holding period of the UK resident or ordinarily resident Shareholder making the disposal. Accordingly any gain that arose from the disposal of an investment in a distribution Class of Shares when it had not been certified as a distributing fund for the whole holding period that accrues to a Shareholder resident or ordinarily resident in the UK for taxation purposes may become subject to income tax or corporation tax on the basis that the gain is treated as an offshore income gain. Where certification is to be sought for a distribution Class of Shares, all steps practicable will be taken in relation to the distribution and investment policy of the Company to ensure that such certification is granted. However, as the legislation provides for certification to be granted retrospectively, it cannot be guaranteed, in practice, that an application will eventually be successful for any given period.

Changes to the taxation treatment of offshore funds will result in the replacement of distributing funds status with the new concept of a “reporting fund”. Powers introduced in the Finance Bill 2008 enabled such proposals to be implemented by way of regulation, and accordingly HMRC has published regulations to implement the new regime from 1 December 2009 although it is anticipated that a number of detailed changes will be made to these regulations by HMRC. It is expected that it will be possible for a distribution Class of Shares to apply to become a reporting fund with effect from 1 November 2010 or remain within the existing distributing fund regime for a further 12 months. It is anticipated that in due course any distribution Class of Shares will qualify to be treated as a reporting fund and that the UK tax position of Shareholders resident or ordinarily resident in the UK for taxation purposes in a distribution Class of Shares should not be significantly altered as a result this change. It is also anticipated that any accumulation Class of Shares that currently does not seek distributing fund status is not likely in the future to apply to become a reporting fund. Consequently it is also anticipated that the UK tax position of Shareholders resident or ordinarily resident in the UK for taxation purposes in such an accumulation Class of Shares should not be significantly altered as a result the new regime.

#### UK anti – avoidance provisions

The attention of individuals ordinarily resident in the UK for tax purposes is drawn the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident or domiciled outside the UK. These provisions may render an individual liable to income tax in respect of undistributed income and profits of the Company attributable to his or her interest on an annual basis, to the extent that they have not already been taxed on such income.

The attention of UK resident corporate investors is drawn to the provisions concerning ‘Controlled Foreign Companies’ in Chapter IV (Section 747) of Income and Corporation Taxes Act 1988 (“ICTA”) which may have the effect in certain circumstances of subjecting a company resident in the UK to UK corporation tax on the profits of a company resident outside the UK. A charge to tax cannot however arise unless the non-resident company is

under the control of persons resident in the UK and, on apportionment of the non-resident's "chargeable profits" more than 25% would be attributed to the UK resident and persons associated or connected with them.

The attention of persons resident or ordinarily resident in the UK (and who, if they are individuals, are domiciled in the UK) is drawn to the fact that the provisions of Section 13 of TCGA could be material to any person who holds 10% or more of the Shares, if at the same time, the Company is controlled in such a manner as to render it a company that would, were it to have been resident in the UK, be a "close company" for UK taxation purposes. These provisions could, if applied, result in such a person being treated, for the purposes of the UK taxation of chargeable gains, as if a part of any gain accruing to the Company had accrued to that person directly; that part being equal to the proportion of the assets of the Company to which that person would be entitled on the liquidation of the Company, at the time when the chargeable gain accrued to it.

Under the UK corporate debt tax regime any corporate Shareholder which is within the charge to UK corporation tax could be taxed on the increase in value of its holding on a mark to market basis (rather than on disposal) or will obtain tax relief on any equivalent decrease in value, if the investments of the Company consist of more than 60% (by value) of "qualifying investments". Qualifying investments are broadly those which yield a return directly or indirectly in the form of interest.

An individual Shareholder domiciled or deemed for UK tax purposes to be domiciled in the United Kingdom may be liable to UK Inheritance Tax on their Shares in the event of death or on making certain categories of lifetime transfer.

If you are in doubt about your position, or if you may be subject to tax in a jurisdiction other than the United Kingdom, you should consult your independent financial adviser and/or your tax adviser.

## **SHAREHOLDER MEETINGS AND REPORTS TO SHAREHOLDERS**

Notice of any general meeting of shareholders (including those considering amendments to the Articles or the dissolution and liquidation of the Company) shall be mailed to each registered shareholder at least eight days (or such longer period required by regulators in other jurisdictions where the Company is registered) prior to the meeting and shall be published to the extent and in the manner required by Luxembourg law as shall be determined by the Board of Directors.

If the Articles are amended, such amendments shall be filed with the Chancery of the District Court of Luxembourg and published in the Mémorial.

Detailed audited reports of the Company on its activities and on the management of its assets are published as of 31 October of each year; such reports shall include, *inter alia*, the combined accounts relating to the Company, a detailed description of the assets of the Company and a report from the Auditor.

The semi-annual unaudited reports of the Company on its activities are published as of 30 April of each year, including, *inter alia*, a description of the investments underlying the portfolio of the Company and the number of Shares issued and redeemed since the last publication.

The aforementioned documents may be obtained free of charge at the Registered Office.

The accounting year of the Company commences on 1 November of each year and terminates on 31 October of the following year.

The annual general meeting takes place in Luxembourg City at a place specified in the notice of meeting on the last Tuesday of February of each year at 11.00 a.m. If such day is a legal or a bank holiday in Luxembourg, the annual general meeting shall be held on the next following Business Day.

The shareholders of any Class may hold, at any time, general meetings to decide on any matters that relate exclusively to such Class.

The accounts of the Company are maintained in US dollars being the currency of the share capital.



## APPENDIX I: INVESTMENT RESTRICTIONS

The Board of Directors shall, based upon the principle of risk spreading, have power to determine the corporate and investment policy for the investments for the Company, the Reference Currency of the Company and the course of conduct of the management and business affairs of the Company.

The investment policy shall comply with the rules and restrictions laid down hereafter:

### 1. Investments in the Company shall consist solely of:

- 1.1 Transferable Securities and Money Market Instruments admitted to or dealt in on a Regulated Market;
- 1.2 Transferable Securities and Money Market Instruments dealt in on another market in a Member State that is regulated, operates regularly and is recognised and open to the public;
- 1.3 Transferable Securities and Money Market Instruments admitted to official listing on a stock exchange in an Other State or dealt in on another market in an Other State which is regulated, operates regularly and is recognised and open to the public;
- 1.4 recently issued Transferable Securities and Money Market Instruments, provided that:
  - the terms of issue include an undertaking that application will be made for admission to official listing on a Regulated Market, stock exchange or on another Regulated Market as described under 1.1-1.3 above;
  - such admission is secured within one year of issue;
- 1.5 Shares of UCITS and/or other UCIs within the meaning of the first and second indent of Article 1 (2) of Directive 85/611/EEC, whether situated in a Member State of the EU or in an Other State, provided that:
  - such other UCIs are authorised under laws which provide that they are subject to supervision considered by the Regulatory Authority to be equivalent to that laid down in Community law, and that cooperation between authorities is sufficiently ensured (currently the United States of America, Canada, Switzerland, Hong Kong and Japan);
  - the level of protection for shareholders in such other UCIs is equivalent to that provided for shareholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of Transferable Securities and Money Market Instruments are equivalent to the requirements of Directive 85/611/EEC;
  - the business of the other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period;
  - no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in Shares of other UCITS or other UCIs;
- 1.6 deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in a Member State or, if the registered office of the credit institution is situated in an Other State, provided that it is subject to prudential rules considered by the Regulatory Authority as equivalent to those laid down in Community law;
- 1.7 financial derivative instruments, i.e. in particular options, futures, including equivalent cash-settled instruments, dealt in on a Regulated Market or other market referred to in 1.1, 1.2 and 1.3 above, and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:

- (i)
  - the underlying consists of instruments covered by this Section A, financial indices, interest rates, foreign exchange rates or currencies, in which the Company may invest according to its investment objectives;
  - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Regulatory Authority, and
  - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative;
- (ii) Under no circumstances shall these operations cause the Company to diverge from its investment objectives.

1.8 Money Market Instruments other than those dealt on a Regulated Market, and which do not fall within the definition given in the Glossary of Terms, to the extent that the issue or the issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that such instruments are:

- issued or guaranteed by a central, regional or local authority or by a central bank of a Member State, the European Central Bank, the EU or the European Investment Bank, an Other State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong; or
- issued by an undertaking any securities of which are dealt in on Regulated Markets referred to in 1.1, 1.2 or 1.3 above; or
- issued or guaranteed by an establishment subject to prudential supervision, in accordance with criteria defined by Community law, or by an establishment which is subject to and complies with prudential rules considered by the Regulatory Authority to be at least as stringent as those laid down by Community law; or
- issued by other bodies belonging to the categories approved by the Regulatory Authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least ten million Euro (EUR 10,000,000) and which presents and publishes its annual accounts in accordance with directive 78/660/EEC, is an entity which, within a Group of Companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

## 2. The Company may however:

- 2.1 Invest up to 10% of its net assets in Transferable Securities and Money Market Instruments other than those referred to above under 1. 1.1 through 1.4 and 1.8.
- 2.2 Hold cash and cash equivalents on an ancillary basis; such restriction may exceptionally and temporarily be exceeded if the Board of Directors considers this to be in the best interest of the shareholders.
- 2.3 Borrow up to 10% of its net assets, provided that such borrowings are made only on a temporary basis. The assets of the Company may be charged as security for any such borrowings. Collateral arrangements with respect to the writing of options or the purchase or sale of forward or futures contracts are not deemed to constitute "borrowings" for the purpose of this restriction.
- 2.4 Acquire foreign currency by means of a back-to-back loan. Foreign currency obtained in this manner is not classified as borrowing for the purposes of the borrowing restrictions set out above provided that the offsetting deposit (i) is denominated in the Reference Currency of the Company and (ii) equals or exceeds the value of the foreign currency loan outstanding.

**3. In addition, the Company shall comply with the following investment restrictions per issuer:**

**Risk Diversification rules**

For the purpose of calculating the restrictions described in 3.1 to 3.5 and 3.8 hereunder, companies which are included in the same Group of Companies are regarded as a single issuer.

To the extent an issuer is a legal entity with multiple sub-funds where the assets of a sub-fund are exclusively reserved to the investors in such sub-fund and to those creditors whose claim has arisen in connection with the creation, operation and liquidation of that sub-fund, each sub-fund is to be considered as a separate issuer for the purpose of the application of the risk spreading rules.

***Transferable Securities and Money Market Instruments***

- 3.1 The Company may not purchase additional Transferable Securities and Money Market Instruments of any single issuer if:
- (i) upon such purchase more than 10% of its net assets would consist of Transferable Securities and Money Market Instruments of such issuer; or
  - (ii) the total value of all Transferable Securities and Money Market Instruments of issuers in which it invests more than 5% of its net assets would exceed 40% of the value of its net assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.
- 3.2 The Company may invest on a cumulative basis up to 20% of its net assets in Transferable Securities and Money Market Instruments issued by the same Group of Companies.
- 3.3 The limit of 10% set forth above under 3.1 (i) is increased to 35% in respect of Transferable Securities and Money Market Instruments issued or guaranteed by a Member State, by its local authorities, by any Other State or by a public international body of which one or more Member State(s) are member(s).
- 3.4 The limit of 10% set forth above under 3.1 (i) is increased up to 25% in respect of qualifying debt securities issued by a credit institution which has its registered office in a Member State and which, under applicable law, is submitted to specific public control in order to protect the holders of such qualifying debt securities. For the purposes hereof, "qualifying debt securities" are securities, the proceeds of which are invested in accordance with applicable law in assets providing a return which will cover the debt service through to the maturity date of the securities and which will be applied on a priority basis to the payment of principal and interest in the event of a default by the issuer. To the extent that the Company invests more than 5% of its net assets in debt securities issued by such an issuer, the total value of such investments may not exceed 80% of the net assets of the Company.
- 3.5 The securities specified above under 3.3 and 3.4 are not to be included for purposes of computing the ceiling of 40% set forth above under 3.1 (ii).
- 3.6 Notwithstanding the ceilings set forth above, the Company is authorized to invest, in accordance with the principle of risk spreading, up to 100% of its net assets in Transferable Securities and Money Market Instruments issued or guaranteed by a Member State of the EU, by its local authorities, by any other OECD Member State such as the U.S. or by a public international body of which one or more Member State(s) of the EU are member(s), provided that (i) such securities are part of at least six different issues and (ii) the securities from any such issue do not account for more than 30% of the net assets of the Company.
- 3.7 Without prejudice to the limits set forth hereunder under chapter "Limitations on Control", the limits set forth in 3.1 are raised to a maximum of 20% for investments in shares and/or bonds issued by the same body when the aim of the Company's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the Regulatory Authority, on the following basis:
- the composition of the index is sufficiently diversified,
  - the index represents an adequate benchmark for the market to which it refers,
  - it is published in an appropriate manner.

The limit of 20% is raised to 35% where that proves to be justified by exceptional market conditions in particular in regulated markets where certain Transferable Securities or Money Market Instruments are highly dominant. The investment up to this limit is only permitted for a single issuer.

#### ***Bank Deposits***

- 3.8 The Company may not invest more than 20% of its assets in deposits made with the same body.

#### ***Derivative Instruments***

- 3.9 The risk exposure to a counterparty in an OTC derivative transaction may not exceed 10% of the Company's net assets when the counterparty is a credit institution referred to in 1.6 above or 5% of its net assets in other cases.
- 3.10 Investment in Financial Derivative Instruments shall only be made provided that the exposure to the underlying assets does not exceed in aggregate the investment limits set forth in 3.1 to 3.5, 3.8, 3.9, 3.13 and 3.14. When the Company invests in index-based financial derivative instruments, these investments do not have to be combined to the limits set forth in 3.1 to 3.5, 3.8, 3.9, 3.13 and 3.14.
- 3.11 When a Transferable Security or Money Market Instrument embeds a derivative, the latter must be taken into account when complying with the requirements of 1.7 (ii) and 4.1 above as well as with the risk exposure and information requirements laid down in the present Prospectus.

#### ***Shares of Open-Ended UCIs or UCITS***

- 3.12 **The Board of Directors have determined that in aggregate, no more than 10% of the net assets of the Company may be invested in a single UCITS or UCI.**

#### ***Combined Limits***

- 3.13 Notwithstanding the individual limits laid down in 3.1, 3.8 and 3.9 above, the Company may not combine:
- investments in Transferable Securities or Money Market Instruments issued by,
  - deposits made with, and/or
  - exposures arising from OTC derivative transactions undertaken with
- a single body in excess of 20% of its net assets.
- 3.14 The limits set out in 3.1, 3.3, 3.4, 3.8, 3.9 and 3.13 above may not be combined, and thus investments in Transferable Securities or Money Market Instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with 3.1, 3.3, 3.4, 3.8, 3.9 and 3.13 above may not exceed a total of 35% of the assets of the Company.

#### **Limitations on Control**

- 3.15 The Company may not acquire such amount of Shares carrying voting rights which would enable the Company to exercise a significant influence over the management of the issuer.
- 3.16 The Company may not acquire (i) more than 10% of the outstanding non-voting Shares of any one issuer; (ii) more than 10% of the outstanding debt securities of any one issuer; (iii) more than 10% of the Money Market Instruments of any one issuer; or (iv) more than 25% of the outstanding Shares or Shares of any one UCI.

The limits set forth in (ii) to (iv) may be disregarded at the time of acquisition if at that time the gross amount of bonds or of the Money Market Instruments or the net amount of the instruments in issue cannot be calculated.

The ceilings set forth above under 3.15 and 3.16 do not apply in respect of:

- Transferable Securities and Money Market Instruments issued or guaranteed by a Member State of the EU or by its local authorities;

- Transferable Securities and Money Market Instruments issued or guaranteed by any other State that is not a Member State of the EU;
- Transferable Securities and Money Market Instruments issued by a public international body of which one or more Member State(s) of the EU are member(s); and
- Shares in the capital of a Company which is incorporated under or organised pursuant to the laws of a State which is not a Member State of the EU provided that (i) such company invests its assets principally in securities issued by issuers of that State, (ii) pursuant to the laws of that State a participation by the Company in the equity of such company constitutes the only possible way to purchase securities of issuers of that State, and (iii) such company observes in its investments policy the restrictions set forth under 3.1 to 3.5, 3.8, 3.9 and 3.12 to 3.16.
- Shares in the capital of subsidiary companies which, exclusively on its or their behalf carry on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the redemption of Shares at the request of shareholders.

**4. In addition, the Company shall comply in respect of its net assets with the following investment restrictions per instrument:**

- 4.1 The Company shall ensure that its global exposure relating to derivative instruments does not exceed the total net value of its portfolio.

The exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions.

The attention of the investors is drawn to the fact, that due to the use of derivative instruments to cover the inherent credit risk of some issuers, combined with the possibility to effect borrowings, there may be circumstances where the Company's exposure may not entirely be covered by the assets of the Company. As borrowing is allowed up to a maximum of 10%, the global risk can reach 110% of the total net value of its portfolio.

- 4.2 Investments made in Shares of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of the Company.

**5. Finally, the Company shall comply in respect of its assets with the following investment restrictions:**

- 5.1 The Company may not acquire commodities or precious metals or certificates representative thereof, provided that transactions in foreign currencies, financial instruments, indices or Transferable Securities as well as futures and forward contracts, options and swaps thereon are not considered to be transactions in commodities for the purposes of this restriction.
- 5.2 The Company may not invest in real estate provided that investments may be made in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein.
- 5.3 The Company may not use its assets to underwrite any securities.
- 5.4 The Company may not issue warrants or other rights to subscribe for Shares.
- 5.5 The Company may not grant loans or guarantees in favour of a third party, provided that such restriction shall not prevent the Company from investing in non fully paid-up Transferable Securities, Money Market Instruments or other financial instruments, as mentioned under 1.5, 1.7 and 1.8.
- 5.6 The Company may not enter into uncovered sales of Transferable Securities, Money Market Instruments or other financial instruments as listed under 1.5, 1.7 and 1.8.

**6. Notwithstanding anything to the contrary herein contained:**

- 6.1 The ceilings set forth above may be disregarded by the Company when exercising subscription rights attaching to securities in the Company's portfolio.
- 6.2 If such ceilings are exceeded for reasons beyond the control of the Company or as a result of the exercise of subscription rights, the Company must adopt as its priority objective in its sale transactions the remedying of such situation, taking due account of the interests of its shareholders.

The Board of Directors has the right to determine additional investment restrictions to the extent that those restrictions are necessary to comply with the laws and regulations of countries where Shares of the Company are offered or sold.

## **APPENDIX II: TECHNIQUES AND INSTRUMENTS**

### **General**

The Company may employ techniques and instruments relating to Transferable Securities and Money Market Instruments provided that, for the time being, such techniques and instruments are only used for hedging purposes within the conditions and limits of the relevant Regulatory Authority regulation.

When these operations concern the use of derivative instruments, these conditions and limits shall conform to the provisions laid down in "Appendix I: Investment Restrictions".

Under no circumstances shall these operations cause the Company to diverge from its investment objectives as laid down under "Investment Objectives and Policies".

The Company may, for efficient portfolio management purposes, exclusively resort to Securities Lending and Borrowing and Repurchase Agreement Transactions, provided that the following rules are complied with:

### **Securities Lending and Borrowing**

The Company may enter into securities lending and borrowing transactions provided that they comply with the following rules:

- (i) The Company may only lend or borrow securities through a standardised system organised by a recognised clearing institution, through a lending program organized by a financial institution or through a first class financial institution specialising in this type of transaction subject to prudential supervision rules which are considered by the Regulatory Authority as equivalent to those provided by Community law.
- (ii) As part of lending transactions, the Company must receive a guarantee, the value of which must be, during the lifetime of the agreement, equal at any time to at least 90% of the value of the securities lent.

This guarantee must be given in the form of (i) liquid assets and/or (ii) sovereign OECD bonds, (iii) shares or units issued by specific money market UCIs, (iv) shares or units issued by UCITS investing in bonds issued or guaranteed by first class issuers offering an adequate liquidity, (v) shares or units issued by UCITS investing in shares listed or dealt on a stock exchange of a Member State of the OECD provided they are included in a main index, (vi) direct investment in bonds or shares with the characteristics mentioned in (iv) and (v).

This collateral must be valued on a daily basis. The collateral may be reinvested within the limits and conditions of the Regulatory Authority regulations.

- (iii) The counterparty risk of the Company or any sub-fund vis-à-vis one same counterparty may as a general rule not exceed 10% of its assets when the counterparty is a credit institution having its registered office in the EU or if it is not the case, it is subject to prudential supervision rules which are considered by the Regulatory Authority as equivalent to those provided by Community law (in any other case, the counterparty risk may not exceed 5% of its assets).
- (iv) The securities borrowed by the Company may not be disposed of during the time they are held by the Company, unless they are covered by sufficient financial instruments that enable the Company to reconstitute the borrowed securities at the close of the transaction.
- (v) The Company may borrow securities under the following circumstances in connection with the settlement of a sale transaction: (a) during a period the securities have been sent out for re-registration; (b) when the securities have been loaned and not returned in time; (c) to avoid a failed settlement when the Custodian fails to make delivery; and (d) as a technique to meet its obligation to deliver the securities being the object of a repurchase agreement when the counterparty to such agreement exercises its right to repurchase these securities, to the extent such securities have been previously sold by the Company.

### **Repurchase Agreement Transactions**

The Company may, on an ancillary or a principal basis, as specified in the description of the investment policy disclosed in the Prospectus of the Company, enter into repurchase agreement transactions which consist of the purchase and sale of securities with a clause reserving the seller the right or the obligation to repurchase from the acquirer the securities sold at a price and term specified by the two parties in their contractual arrangement.

The Company can act as either purchaser or seller in repurchase agreement transactions or a series of continuing repurchase transactions. Its involvement in such transactions is, however, subject to the following rules:

- (i) The Company may not buy or sell securities using a repurchase agreement transaction unless the counterpart in such transactions is a first class financial institution specializing in this type of transaction subject to prudential supervision rules considered by the Regulatory Authority as equivalent to those provided by Community law.
- (ii) During the life of a repurchase agreement contract, the Company cannot sell the securities which are the object of the contract, either before the right to repurchase these securities has been exercised by the counterparty, or the repurchase term has expired, except to the extent the Company has other means of coverage.
- (iii) As the Company is exposed to redemptions of its own Shares, it must take care to ensure that the level of its exposure to repurchase agreement transactions is such that it is able, at all times, to meet its redemption obligations.



### APPENDIX III: DETERMINATION OF THE NET ASSET VALUE

#### Calculation and Publication

The calculation of the net asset value ("NAV") per Share of each Class will be carried out by the Management Company of the Company, subject to the supervision of the Board of Directors, in accordance with the requirements of the Articles. The NAV per Share of each Class shall be expressed in the Reference Currency of each Class, to the nearest two decimal places, and shall be determined on the relevant Valuation Day, by dividing the net assets of the Company attributable to Shares in such Class being the value of the portion of assets less the portion of liabilities attributable to such Class, on any such Valuation Day, by the number of Shares of the relevant Class then outstanding, in accordance with the valuation rules set forth below. If since the time of determination of the NAV there has been a material change in the quotations in the markets on which a substantial portion of the investments attributable to the relevant Class are dealt in or quoted, the Company may, in order to safeguard the interests of the shareholders and the Company, cancel the first valuation and carry out a second valuation for all applications received on the relevant Valuation Day.

The value of such assets is determined by the Management Company as follows:

- a) the value of any cash on hand or in deposit, bills, demand notes and accounts receivables, prepaid expenses, dividends and interests matured but not yet received shall be valued at the par-value of the assets except however if it appears that such value is unlikely to be received. In such a case, subject to the approval of the Board of Directors, the value shall be determined by deducting a certain amount to reflect the true value of these assets.
- (b) The value of assets which are listed or dealt in on any stock exchange is based on the last available price on the stock exchange which is normally the principal market for such assets.
- (c) The value of assets dealt in on any other Regulated Market is based on the last available price.
- (d) In the event that any assets are not listed or dealt in on any stock exchange or on any other Regulated Market, or if, with respect to assets listed or dealt in on any stock exchange, or other Regulated Market as aforesaid, the price as determined pursuant to sub-paragraph (b) or (c) is not representative of the fair market value of the relevant assets, the value of such assets will be based on the reasonably foreseeable sales price determined prudently and in good faith.
- (e) The liquidating value of options contracts not traded on exchanges or on other Regulated Markets shall mean their net liquidating value determined, pursuant to the policies established by the Board of Directors, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward or options contracts traded on exchanges or on other Regulated Markets shall be based upon the last available settlement prices of these contracts on exchanges and Regulated Markets on which the particular futures, forward or options contracts are traded by the Company; provided that if a futures, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Board of Directors may deem fair and reasonable.
- (f) The value of Money Market Instruments not listed or dealt in on any stock exchange or any other Regulated Market and with remaining maturity of less than 12 months and of more than 90 days is deemed to be the nominal value thereof, increased by any interest accrued thereon. Money Market Instruments with a remaining maturity of 90 days or less will be valued by the amortized cost method, which approximates market value.
- (g) Interest rate swaps will be valued at their market value established by reference to the applicable interest rate curve.
- (h) Units or Shares of open-ended UCIs will be valued at their last determined and available net asset value or, if such price is not representative of the fair market value of such assets, then the price shall be determined by the Board of Directors on a fair and equitable basis. Units or shares of a closed-ended UCI will be valued at their last available stock market value.
- (i) All other securities and other assets will be valued at fair market value, as determined in good faith pursuant to procedures established by the Board of Directors or a committee appointed to that effect by the Board of Directors.

The value of all assets and liabilities not expressed in the Reference Currency of a Class will be converted into the Reference Currency of such Class at rates last quoted by major banks. If such quotations are not available, the rate of exchange will be determined in good faith by or under procedures established by the Board of

Directors.

To the extent that the Board of Directors considers that it is in the best interests of the Company, given the prevailing market conditions and the level of subscriptions or redemptions requested by Shareholders in relation to the size of the Company, an adjustment, as determined by the Board of Directors or their delegate at its discretion, may be reflected in the Net Asset Value of the Company for such sum as may represent the percentage estimate of costs and expenses which may be incurred by the Company under such conditions.

The NAV per Share and the issue and redemption prices per Share of each Class may be obtained during business hours at the Registered Office.

### **Temporary Suspension of the Calculation**

The Company may temporarily suspend the determination of the NAV per Share of any Class and the issue and redemption of its Shares from its shareholders during:

- a) any period when the principal Stock Exchanges on which a substantial proportion of the investments of the Company are quoted are closed otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended; or
- b) the existence of any state of affairs which constitutes an emergency as a result of which disposals or valuation of assets owned by the Company would be impractical; or
- c) any breakdown in the means of communication normally employed in determining the price or value of any of the investments attributable to the Company or the currency price or values on any such stock exchange; or
- d) any moment when for other reason the prices of any investments owned by the Company cannot promptly or accurately be ascertained; or
- e) any period when the Company is unable to repatriate funds for the purpose of making repayments due on the redemption of such Shares or during which any transfer of the funds involved in the realisation or acquisition of investments or payments due on the redemption of such Shares cannot in the opinion of the Board of Directors be effected at normal rates of exchange; or
- f) following a possible decision to liquidate or dissolve the Company or one or several Classes.

Any such suspension shall be published, if appropriate, by the Company and may be notified to shareholders having made an application for subscription or redemption of Shares for which the calculation of the NAV has been suspended.

Such suspension as to any Class shall have no effect on the calculation of the NAV per Share, the issue or redemption of Shares of any other Class, if the assets within such other Class are not affected to the same extent by the same circumstances.

Any request for subscription or redemption shall be irrevocable except in the event of a suspension of the calculation of the NAV.

## **APPENDIX IV: GENERAL INFORMATION**

### **Corporate Information**

The Company was incorporated as a société d'investissement à capital fixe subject to the provisions of Part II of the Law of 30 March 1988 on undertakings for collective investment. Pursuant to a decision of the general meeting of shareholders dated 24 November 2006, it has been decided to convert the Company into a société d'investissement à capital variable subject to the provisions of Part I of Law of 20 December 2002. Such decision has been published in the Mémorial on 28 December 2006. In addition, the Company is governed by the Law of 10 August 1915 on commercial companies, as amended.

The registered office of the Company is established at 2, rue Albert Borschette, L-1246 Luxembourg. The Company is recorded at the *Registre de Commerce et des Sociétés* with the District Court of Luxembourg under the number B 57.763.

The Articles have initially been published in the Mémorial on 25 February 1997, and have been filed with the Chancery of the District Court of Luxembourg. The latest amendment of the Articles has been published in the Mémorial on 28 December 2006.

The minimum capital of the Company, as provided by law is the equivalent in US dollars of EUR 1,250,000. The capital of the Company is represented by fully paid-up Shares of no par value.

The Company is open-ended which means that it may, at any time on the request of the shareholders, redeem its Shares at prices based on the applicable Net Asset Value per Share of the Company.

### **Dissolution and Liquidation of the Company**

The Company may be dissolved at any time by a resolution of the general meeting of shareholders subject to the quorum and majority requirements applicable for amendments to the Articles.

Whenever the share capital falls below two-thirds of the minimum capital indicated in Article 6.1 of the Articles, the question of the dissolution of the Company shall be referred to a general meeting of shareholders by the Board of Directors. The general meeting, for which no quorum shall be required, shall decide by simple majority of the Shares represented at the meeting.

The question of the dissolution of the Company shall also be referred to a general meeting of shareholders whenever the share capital falls below one-fourth of the minimum capital set by Article 6.1 of the Articles; in such event, the general meeting shall be held without any quorum requirement and the dissolution may be decided by shareholders holding one-fourth of the Shares represented at the meeting.

The meeting must be convened so that it is held within a period of forty days from the date that the net assets have fallen below two-thirds or one-fourth of the legal minimum, as the case may be.

Liquidation shall be carried out by one or several liquidators, who may be physical persons or legal entities, duly approved by the Regulatory Authority and appointed by the general meeting of shareholders that shall determine their powers and their compensation.

The net proceeds of liquidation of the Company shall be distributed by the liquidators to the holders of Shares of each Class in proportion to their holding of such Class.

Should the Company be voluntarily or compulsorily liquidated, its liquidation will be carried out in accordance with the provisions of the Law. Such Law specifies the steps to be taken to enable shareholders to participate in the distribution(s) of the liquidation proceeds and provides for a deposit in escrow at the "Caisse de Consignations" at the time of the close of liquidation. Amounts not claimed from escrow within the statute of limitation period shall be liable to be forfeited in accordance with the provisions of Luxembourg law.

## **APPENDIX V: DOCUMENTS AVAILABLE**

Copies of the following documents may be obtained free of charge during usual business hours on any Business Day in Luxembourg at the Registered Office:

1. The Articles of Incorporation of the Company and any amendments thereto;
2. The following agreements:
  - the Management Company Services Agreement between the Company and the Management Company;
  - the Custodian Agreement between the Company and the Custodian;
  - the Investment Management Agreement between the Company and the Investment Manager;
  - the Distribution Agreement between the Management Company and the Distributor;
  - the latest reports and accounts referred to under the heading "Shareholder Meetings and Reports to Shareholders".

The agreements referred to above may be amended by mutual consent between the parties thereto.

### **Enquiries To:**

BARING ASSET MANAGEMENT LIMITED  
155 Bishopsgate,  
London EC2M 3XY,  
UK

Telephone: 44(0)20 7628 6000  
Facsimile: 44(0)20 7214 1655

BARING FRANCE S.A.S  
35, avenue Franklin Roosevelt,  
75008 Paris,  
France

Telephone: 331 53 93 6000  
Facsimile: 331 42 89 4161

PAYING AGENT - AUSTRIA  
UniCredit Bank Austria AG,  
Schottengasse 6-8,  
1010 Vienna,  
Austria

PAYING AGENT - FRANCE  
BNP Paribas Securities Services,  
3 rue d'Antin  
75002 Paris,  
France

PAYING AND INFORMATION AGENT - GERMANY  
Deutsche Bank AG  
Junghofstrasse 5-9,  
60311 Frankfurt am Main,  
Federal Republic of Germany

FURTHER INFORMATION AGENT – GERMANY  
Baring Asset Management  
Oberlindau 54-56,  
60323 Frankfurt am Main,  
Federal Republic of Germany

**PAYING AGENT - LUXEMBOURG**

Northern Trust Global Services Limited, Luxembourg Branch  
2, rue Albert Borschette  
L-1246 Luxembourg

**PAYING AGENT - SWEDEN**

S.E. Banken  
Sergels Torg 2,  
106 40 Stockholm,  
Sweden

**PAYING AGENT/REPRESENTATIVE - SWITZERLAND**

BNP Paribas Securities Services  
Paris, succursale de Zurich,  
Selnaustrasse 16  
8002 Zurich  
Switzerland

**Publication of Prices**

The price per Shares of each Class will be available on the Barings website at [www.baring.com](http://www.baring.com) and will be kept up to date.

Such prices can also be ascertained at the registered office of the Company and from the offices of Investment Manager.

#### APPENDIX VI: SHARE CLASSES AVAILABLE FOR SUBSCRIPTION

CLASS	UNIT TYPE (ACC/INC)	UNIT DENOMINATION	ISIN
Class A USD Acc	Accumulation	US\$	LU0073418229
Class A USD Inc	Distribution	US\$	LU0280479329

#### APPENDIX VII: REGISTRATION STATUS

The Company is currently authorised for public marketing in Austria, Chile, Finland, France, Germany, Luxembourg, Peru, Singapore\*, Sweden, Switzerland and the United Kingdom. As additional marketing opportunities arise, an application to the relevant authorities for public marketing of the Company in other jurisdictions may be made.

\* The Company is registered as a Restricted Scheme and investment for investors in Singapore is only available on a restricted basis