

# Universe, The CMI Global Network Fund

Prospectus

June 2007

## **UNIVERSE, THE CMI GLOBAL NETWORK FUND**

This prospectus is published in connection with the continuous offer to investors to subscribe for twenty-five Sub-Funds (the “Sub-Funds”), some of them containing two or more classes of Shares (the “classes”) in UNIVERSE, THE CMI GLOBAL NETWORK FUND (“the Fund”), in abbreviation “Universe”.

The Fund is an investment company organised as a société anonyme under the laws of the Grand Duchy of Luxembourg and is qualified as a société investissement à capital variable (SICAV). The Fund is established for an undetermined duration but may be dissolved by resolution of an extraordinary general meeting of Shareholders. The Fund was incorporated in Luxembourg on 12 April 1990 and its articles were published in the Mémorial C, Recueil Special des Sociétés et Associations (the “Mémorial”) on 27 June 1990. They were amended for the last time by notarial deed of 25 July 2005 published in the Mémorial on 24 August 2005. The Articles provide that the exclusive object of the Fund is to place the funds available to it in transferable securities and other permitted assets of any kind with the purpose of spreading investment risks and affording its Shareholders the results of the management of its Sub-Funds.

It is subject to the Luxembourg laws of 10 August, 1915 on commercial companies (as amended) and of 20 December 2002 on collective investment undertakings (the “2002 Law”). The Fund has been registered with the Registre de Commerce et des Sociétés de Luxembourg under number B33463.

The Fund is a collective investment scheme pursuant to the provisions of Section 264 of the United Kingdom Financial Services and Markets Act 2000 (the “Act”). Notice has been given to the Financial Services Authority pursuant to the Act and the Fund has become recognised for the purposes of the Act. The Fund is also recognised in the Republic of Ireland by the Central Bank of Ireland and the Irish Financial Services Regulatory Authority, and in Gibraltar by the Gibraltar Financial Services Commission. In Germany, the Fund is registered with the Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin).

The Directors of the Fund (“the Directors”), whose names appear in the section “Board of Directors of the Fund”, are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

The Shares in the capital of the Fund in issue from time to time are listed on the Luxembourg Stock Exchange.

The Fund has not been registered under the United States Securities Act 1933 and may not be directly or indirectly offered or sold in the United States of America, or to or for the benefit of a United States resident. For this purpose, a United States resident includes a resident of the United States of America, a partnership or corporation organised or existing under the laws of the United States of America, for these purposes “United States of America” includes any territory or possession thereof or areas subject to its jurisdiction.

This prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation.

The circulation and distribution of this prospectus and/or the Application Form and the offering of any class or classes of Shares may be restricted in certain jurisdictions. It is the responsibility of any persons in possession of this prospectus and/or the Application Form and any persons wishing to apply for Shares pursuant to this prospectus and/or the Application Form to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions including any applicable exchange control regulations and taxation consequences in the countries of their respective citizenship, residence or domicile.

Any information given, or representation made, by any dealer, salesman or other person and not contained in this prospectus should be regarded as unauthorised and should accordingly not be relied upon. Neither the delivery of this prospectus nor the offer, issue or sale of any class or classes of Shares shall, under any circumstances, constitute a representation that the information given in this prospectus is correct as of any time subsequent to the date of this prospectus.

It should be noted that investors' rights under the Fund may not be protected by the United Kingdom Financial Services Compensation Scheme.

Any investor wishing to make a complaint regarding any aspect of the Fund or its operations may do so to the Fund or, in the United Kingdom to Clerical Medical Financial Services Limited, at their respective addresses set out below.

As in the case of any investment, the prices of Shares in the Fund may go down as well as up. There can be no certainty that the investment objectives of any particular Sub-Fund will be achieved.

The purchase of Shares in the Fund is not the same as placing the funds on deposit with a bank or deposit taking company. The Fund has no obligation to redeem Shares at the offer value.

**IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER FINANCIAL ADVISER.**

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Copies of this prospectus can be obtained subject as mentioned above, from:

CMI Asset Management (Luxembourg) S.A.

23, route d'Arlon

L-8009 Strassen

Grand-Duchy of Luxembourg

Tel: +352 31 78 319

Fax: +352 31 78 31800

Clerical Medical Financial Services Limited

Narrow Plain

Bristol

BS2 0JH

United Kingdom

Tel: +44 (0) 117 9290290

Fax: +44 (0) 1275 554202

Line Management Services Limited

Gibraltar Representative Office

57/63 Line Wall Road

PO Box 199

Gibraltar

Tel: + 350 79000

Fax: + 350 40249

## **Glossary**

### **Articles**

The Articles of Incorporation of the Fund

### **Auditor**

KPMG

31, Allée Scheffer, L-2520 Luxembourg

Grand Duchy of Luxembourg

### **Class or classes**

Any class or classes of Shares offered in respect of each Sub-Fund

### **Clerical Medical and Clerical Medical Group**

All or any one or more of HBOS Financial Services Limited and its subsidiary and affiliate companies as the context may admit or require

### **CMI**

HBOS International Financial Services Holdings Limited and its subsidiary companies

### **The Custodian and Administrative Agent**

RBC Dexia Investor Services Bank

14, Porte de France, L-4360 Esch-sur-Alzette, Grand Duchy of Luxembourg

### **Dealing Day**

Any day normally treated as a full business day in both London and Luxembourg or such other days as the Directors may decide. A Dealing Day is treated as commencing at 9am and ending at 1pm (Luxembourg time), other than in relation to the Access 80% Guaranteed Sub-Fund, in respect of which the dealing day ends at 3pm (Luxembourg time).

### **Dealing Price**

The price at which Shares are issued, repurchased and switched disregarding any applicable charges (see “Calculation of Net Asset Value and Dealing Price”)

### **The Directors**

The directors of the Fund

### **Eligible Market**

A Regulated Market in an Eligible State

### **Eligible State**

Any Member State of the European Union (“EU”) or any other state in Eastern and Western Europe, Asia, Africa, Australia, North and South America and Oceania

### **Directive**

The Directive 85/611/EEC of 20 December 1985 as amended

### **The Fund**

Universe, The CMI Global Network Fund or “Universe”

**Gibraltar Representative**

Line Management Services Limited

**The Global Distributor**

CMI Asset Management (Luxembourg) S.A.

**International Currencies**

In this prospectus: Dollars, US\$ and USD refer to United States dollars

Sterling, Pounds, £ and GBP refer to United Kingdom pounds sterling

Yen and JPY refer to Japanese yen

EUR refers to Euro

**The Irish Representative**

CMI Asset Management (Luxembourg) S.A.

Representative Office, Clifton House, Lower Fitzwilliam Street, Dublin 2, Republic of Ireland

**The Investment Adviser**

Insight Investment Management (Global) Limited

33, Old Broad Street, London EC2N 1HZ

**Legal Advisers to the Fund and the Manager in Luxembourg**

Elvinger, Hoss & Prussen

2, Place Winston Churchill, L-2014 Luxembourg, Grand Duchy of Luxembourg

**The Manager**

The management company designated by the Fund, CMI Asset Management (Luxembourg) S.A.

23, route d'Arlon, L-8009 Strassen, Grand Duchy of Luxembourg

Tel: +352 31 78 319

Fax: +352 31 78 31800

**Net Asset Value or NAV**

In relation to any class or Sub-Fund (as the case may be), the market value of the net assets of that class or Sub-Fund determined in accordance with the provisions described under "Calculation of Net Asset Value and Dealing Price"

**Registered Office of the Fund**

23, route d'Arlon, L-8009 Strassen, Grand Duchy of Luxembourg

**Regulated Market**

A market within the meaning of Article 1.13 of directive 93/22/EEC and any other market which is regulated, operates regularly and is recognised and open to the public

**Sub-Funds**

The Sub-Funds created from time to time within the Fund upon a decision of the Directors and "Portfolio" shall be construed accordingly

**Share**

Any share in the Fund

**The Transfer Agent**

RBC Dexia Investor Services Bank

14, Porte de France, L-4360 Esch-sur-Alzette, Grand Duchy of Luxembourg

Tel: +352 2605 96 45

Fax: +352 24 60 99 00

**UCI**

Undertaking for Collective Investment

**UCITS**

Undertaking for Collective Investment in Transferable Securities, in the meaning of the Directive

**UK Representative**

Clerical Medical Financial Services Limited

Narrow Plain, Bristol, BS2 0JH, United Kingdom

Tel: +44 (0) 117 9290290

Fax: +44 (0) 1275 554202



## **INTRODUCING UNIVERSE, THE CMI GLOBAL NETWORK FUND**

### **The Fund**

Universe, The CMI Global Network Fund is an open-ended investment company based in the Grand Duchy of Luxembourg. The Fund aims to provide investors with a wide range of Sub-Funds covering international markets under the shelter of one corporate entity.

The Sub-Funds are distinguished mainly by their investment policies, the currencies in which they are denominated or any other specific features.

Pursuant to the Articles, the Directors may decide to create within each Sub-Fund different classes of Shares the subscription proceeds of which will be commonly invested in accordance with the investment policy of the Sub-Fund concerned, but where different currency hedging techniques and/or sales, conversion or redemption fees and management charges and/or distribution policies, minimum subscription or holding amounts or any other specific feature may be applied to each class. The issue of Shares of the different classes may be restricted to specific investors. All references to a Sub-Fund shall, where the context requires, include any class or classes which form such Sub-Fund. Where no classes have been issued within a Sub-Fund, references to a class shall be to the Sub-Fund.

The Fund currently issues four classes of Shares within each Sub-Fund. These classes are denominated class 1, class 2, class 3 and class 7. As more fully described under the section “Investing in the Fund”, different minimum subscription amounts and holding amounts may be applicable to each class of Shares.

The Sub-Funds are denominated in a wide range of freely convertible currencies, and wherever possible this is the domestic currency of the country in which the Sub-Fund is investing (or a country in the region in which the Sub-Fund is investing). This means that the investor is able to clearly see the currency situation and its impact on the performance of the Sub-Fund.

### **The Manager**

The Directors have designated CMI Asset Management (Luxembourg) S.A., a wholly owned subsidiary of HBOS International Financial Services Holdings Limited, as management company of the Fund to perform investment management, administration and marketing functions for the Fund.

### **Investment Advisers**

The Directors and the Manager have jointly appointed Investment Advisers with proven track records to act as investment advisers for the various Sub-Funds.

Insight Investment Management (Global) Limited has been appointed by Universe to provide investment advice for those Sub-Funds that are actively managed to outperform a given benchmark. Their investment approach aims to achieve consistent returns over the long term without exposing investment to unnecessary risk.

Credit Suisse First Boston has been appointed by Universe in July 2003 to provide investment advices in respect of the four Equity Index Tracking Sub Funds. As from 4<sup>th</sup> September 2006, it will be replaced by Insight Investment Management (Global) Limited. Using both full replication and sampling strategies, where necessary, their investment approach aims to track the capital movement of the relevant stock market index.

## **THE SUB-FUNDS**

Investments of the Sub-Funds are subject to market movements up and down. Consequently, there are no guarantees that investment objectives will be fulfilled or that capital growth will occur. In addition, investors may not get back the full amount invested.

### **The Equity Sub-Funds**

The Fund has nine equity Sub-Funds, four of which invest in a single country, three in a specific region and one on a global basis.

The investment objective of these Sub-Funds is quite simply capital growth. The aim is to provide capital growth with out performance of a local stock market index over 3 to 5 years, and to be an upper quartile performer when compared with similar domestic stock market funds.

Risk Profile: Investment in equity Sub-Funds will involve greater risks than investing in bond funds. However the opportunity for a level of return above inflation is higher, especially over the long term.

Profile of the Typical Investor: These Sub-Funds are suitable for investors who seek capital growth over a long-term period (3-5 years) through a high to very high- risk investment.

The investor must have experience in volatile products and must be able to accept significant temporary losses. These Sub-Funds are suitable for investors who can afford to set aside the capital for at least 5 years.

### **Single Country Sub-Funds**

#### **CMI German Equity Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of German equity or equity related securities of companies domiciled or listed in Germany. The Sub-Fund will be actively managed with the purpose of selecting those companies, both large and small, which have a greater than average growth potential. The base currency of this Sub-Fund is Euro.

#### **CMI Japan Equity Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing primarily in shares of Japanese companies. The Sub-Fund will be actively managed with the purpose of selecting those companies, both large and small, which have a greater than average growth potential. The base currency of this Sub-Fund is Japanese Yen.

### **CMI UK Equity Sub-Fund**

The Sub-Fund aims to provide long-term capital growth by investing in a diversified portfolio of United Kingdom equity or equity related securities. The Sub-Fund will be actively managed with the purpose of selecting those companies, both large and small, which have a greater than average growth potential. The base currency of this Sub-Fund is Sterling.

### **CMI US Equity Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of US equities or equity related securities. The Sub-Fund will be actively managed with the purpose of selecting those companies, both large and small, which have a greater than average growth potential. The base currency of this Sub-Fund is US Dollars.

### **Regional Sub-Funds**

#### **CMI Continental European Equity Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of European equities or equity related securities, normally excluding the United Kingdom. While the emphasis will be on companies with a large capitalisation, the portfolio will also include selected shares of medium and small companies where significant growth potential has been identified. The base currency of this Sub-Fund is Euro.

#### **CMI Euro Top 50 Equity Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equities listed in the Dow Jones Euro Stoxx 50 index. The base currency of this Sub-Fund is Euro.

#### **CMI Pacific Basin Equity Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equity or equity related securities in countries in the Pacific Basin (excluding Japan). The base currency of this Sub-Fund is US dollars.

### ***Important Notes regarding investment in Emerging Markets***

**Investors should be aware at the outset of the above average risks associated with investment in emerging market investments such as this Sub-Fund. Many emerging markets and companies in which this Sub-Fund intends to invest are exposed to the risks of political instability and/or economic change. Such risks may include above average rates of inflation, currency fluctuations, exchange controls and tax regulations which may affect the Fund's income accruals and the value of its investments and restrict repatriation of capital and income, in which case the payment of redemption proceeds may be delayed.**

**In addition, shares quoted on stock exchanges in emerging markets may be more volatile and less marketable than in more developed markets. Companies in emerging markets are not always subject to accounting, auditing and financial standards which are equivalent to those applicable in more developed markets and there may also be less government supervision and regulation.**

## **Global Sub-Fund**

### **CMI Global Equity Sub-Fund**

The Sub-Fund aims to provide long-term capital growth by investing in a diversified international portfolio of equities or equity related securities traded on the major stock markets of the world. Whilst emphasis will be on companies with a large capitalisation, the portfolio may also include selected shares of medium and small companies where significant growth potential has been identified. The base currency of this Sub-Fund is Sterling.

### **The Equity Index Tracking Sub-Funds**

The Fund has four equity index tracking Sub-Funds, which aim to match the capital performance of a relevant stock market index. It should be appreciated that there is no guarantee or assurance of exact or identical replication of the performance of the index. As a result of this, there will be a tracking error, that is the difference between the performance of the index and the performance of the Sub-Fund. The tracking error will be highlighted within the six monthly investment report, which will also include information on the general composition of the index and a list of those constituent stocks that account for more than 10% of the weighting of the index.

The strategy for achieving the index tracking will be to purchase, where possible, an example of every constituent stock in the index broadly in proportion to the respective weightings of the stocks. Should insufficient funds be available to do this then a carefully selected sample of stocks from each index will be purchased.

Investors should be aware that index tracking funds are passively managed and as such, investment performance will be expected to follow that of the index, both in terms of rises and falls in the index. Additionally, index compositions can change and shares in the index may be delisted.

By offering the Euro, the UK, the US and the Japan Equity Index Tracking Sub-Funds, the investor is able to have a stake in the major developed economies of the world, covering over 75% of the world's equity markets by capitalisation.

**Risk Profile:** Investment in equity Sub-Funds will involve greater risks than investing in bond Sub-Funds. However the opportunity for a level of return above inflation is higher, especially over the long term.

**Profile of the Typical Investor:** These Sub-Funds are suitable for investors who seek capital growth over a long-term period (3-5 years) through a high to very high- risk investment.

The investor must have experience in volatile products and must be able to accept significant temporary losses. These Sub-Funds are suitable for investors who can afford to set aside the capital for at least 5 years.

### **Euro Equity Index Tracking Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equities or equity related securities listed on the Dow Jones Euro Stoxx 50 share index, wherever possible, in proportion to their weighting in that index. The aim of the Sub-Fund will be to mirror, as closely as possible, the capital performance of the index. The base currency of this Sub-Fund is Euro.

The components of the Dow Jones Euro Stoxx 50 share index represent those countries that currently comprise the Euro and contain the 50 largest companies of the member countries, based on their market capitalisation.

### **Japan Equity Index Tracking Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equities or equity related securities listed on the FTSE-All World Japan index and wherever possible, in proportion to their weighting in that index. The aim of the Sub-Fund will be to mirror, as closely as possible, the capital performance of the index. The base currency of this Sub-Fund is Japanese Yen.

The FTSE – All World Japan index is a market value weighted index of large and mid cap stocks, which capture approximately 90% of the Japanese market. The index constituents' weight in the index is proportional to their market value adjusted by the free float factor.

### **UK Equity Index Tracking Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equities or equity related securities listed on the FTSE All-Share index and wherever possible, in proportion to their weighting in that index. The aim of the Sub-Fund will be to mirror, as closely as possible, the capital performance of the index. The base currency of this Sub-Fund is Sterling.

The FTSE All-Share index is a market value-weighted index (stock price times number of shares outstanding) which aims to represent the full capital value of all listed UK companies, with each stock's weight in the index proportionate to its market value.

### **US Equity Index Tracking Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing in a diversified portfolio of equities or equity related securities listed on the S&P 500 share index and wherever possible, in proportion to their weighting in that index. The aim of the Sub-Fund will be to mirror, as closely as possible, the capital performance of the index. The base currency of this Sub-Fund is US dollars.

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the index proportionate to its market value.

### **The Global Managed Sub-Fund**

The Fund has one managed Sub-Fund, which offers a global managed approach. Whilst the Sub-Fund invests in a variety of international assets and currencies, the base currency is sterling.

### **CMI Global Mixed Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by primarily investing in a diversified international portfolio of fixed interest securities together with equity or equity related securities.

This Sub-Fund will principally invest in bonds and other debt securities issued or guaranteed by governments, local authorities or public companies in OECD member countries and in equities traded on the major stock markets of the world.

The base currency of this Sub-Fund is Sterling.

Risk Profile: As the Sub-Fund has a mixed allocation in equities and bonds, the investment in this Sub-Fund will involve greater risks than investing in bond Sub-Funds. However the opportunity for a level of return above inflation is higher, especially over the long term.

Profile of the Typical Investor: This Sub-Fund is suitable for investors who seek capital growth over a long-term period (3-5 years) through a high- risk investment.

This Sub-Fund is suitable for investors who can afford to set aside the capital for at least 5 years.

### **The Bond Sub-Funds**

Universe has five bond Sub-Funds, which aim to provide income and capital growth potential and traditionally, have involved lower risk than an equity investment.

Risk profile: Investments in bond Sub-Funds have traditionally involved lower risk than an equity investment.

The annual distributions made by these Sub-Funds cannot be regarded as constant and these Sub-Funds have no specific maturity. This means that investors cannot count on a return on the investment at a certain value by a specific date in the future.

Profile of the Typical Investor: These Sub-Funds are suitable for investors who see investment funds as a convenient 'savings' product. They are also suitable for more experienced investors wishing to obtain defined investment objectives.

In an investor's portfolio, it is low-risk investment instrument or for more experienced investors a temporary investment intermixture in times of low market opportunities.

### **CMI Japan Bond Sub-Fund**

The Sub-Fund aims to achieve a combination of income and long-term capital growth by primarily investing in a diversified portfolio of Yen denominated fixed interest securities. This Sub-Fund invests primarily in Yen denominated bonds and other debt securities issued or guaranteed by governments, local authorities or public companies. The base currency of this Sub-Fund is Japanese Yen.

### **CMI UK Bond Sub-Fund**

The Sub-Fund aims to achieve a combination of income and long-term total return by primarily investing in a diversified portfolio of Sterling denominated fixed interest securities. The Sub-Fund invests mainly in sterling denominated bonds and other debt securities issued or guaranteed by governments, local authorities or public companies. The base currency of this Sub-Fund is Sterling.

### **CMI US Bond Sub-Fund**

The aim of this Sub-Fund is to achieve a combination of income and long-term capital growth by investing in a diversified portfolio of US Dollar denominated fixed interest securities. It will principally invest in US Dollar denominated bonds and other debt securities issued or guaranteed by governments, local authorities or public companies. The base currency of the Sub-Fund is US Dollars.

### **CMI Euro Bond Sub-Fund**

The Sub-Fund aims to achieve a combination of income and long-term total return by primarily investing in a diversified portfolio of Euro denominated fixed interest securities. The Sub-Fund will principally invest in bonds and other debt securities denominated in Euro. The base currency of this Sub-Fund is Euro.

### **CMI Global Bond Sub-Fund**

The Sub-Fund aims to achieve a combination of income and long-term total return by primarily investing in a diversified international portfolio of fixed interest securities.

This Sub-Fund will principally invest in bonds and other debt securities issued or guaranteed by governments, local authorities or public companies in member countries of the Organisation for Economic Co-operation and Development ('OECD'). The Sub-Fund may, on occasion, also invest in bonds and other debt securities quoted on regulated markets in countries other than OECD member countries. The base currency of this Sub-Fund is Sterling.

### **The Currency Reserve Sub-Funds**

The Fund has three currency reserve Sub-Funds which aim to provide a competitive return in line with short-term deposit rates by investing in short-term securities and short term instruments to the extent permitted by the investment restrictions (see "Investment Safeguards").

The Currency Reserve Sub-Funds will be invested in a manner that the average remaining maturity of all securities and instruments comprised in each Sub-Fund does not exceed twelve months. For the purpose of calculating the residual maturity of each single security or instrument, the financial instruments attached thereto shall be taken into account. For the securities or instruments whose terms of issue provide for an adjustment of their interest rate by reference to market conditions, the residual maturity until the date on which the rate is adjusted shall be considered.

**Risk Profile:** Investments in currency Sub-Funds offer a high degree of capital security with a return on the funds invested. This type of Sub-Fund generally does not experience high volatility. However, it should be remembered that these Sub-Funds are not risk free as the return may not match inflation. This means that the real value of the Sub-Fund may be eroded.

The value of the portfolio of these Sub-Funds is calculated daily on the basis of the market value of the commercial papers held by the Sub-Fund. This market value is moderately influenced by changes in interest rates on the markets for short-term instruments.

**Profile of the Typical Investor:** These Sub-Funds are suitable for investors who seek capital security with a competitive return in line with short-term deposit rates through a low-risk investment. They are suitable for investors who see investment funds as a convenient 'savings' product. These Sub-Funds are also suitable for more experienced investors wishing to obtain defined investment objectives.

In an investor's portfolio, these Sub-Funds are low-risk investment instrument or for more experienced investors a temporary investment intermixture in times of low market opportunities.

### **CMI Euro Currency Reserve Sub-Fund**

The Sub-Fund aims to provide highly competitive gross rates of return by investing in Euro denominated short term securities and instruments. The base currency of this Sub-Fund is Euro.

### **CMI Sterling Currency Reserve Sub-Fund**

The Sub-Fund aims to provide highly competitive gross rates of return by investing in Sterling denominated short term securities and instruments. The base currency of this Sub-Fund is Sterling.

### **CMI US Dollar Currency Reserve Sub-Fund**

The Sub-Fund aims to provide highly competitive gross rates of return by investing in US Dollar denominated short-term securities and instruments. The base currency of this Sub-Fund is US dollars.

### **The CMIG Sub-Funds**

The Fund has three CMIG Sub-Funds, the shares of which may only be subscribed for by companies, which are members of the Clerical Medical Group. The CMIG Access 80% Sub-Fund issues only class 7 Shares.



### **CMIG Access 80% Sub-Fund**

The objective of this Sub-Fund is to achieve long-term capital growth by investing in a portfolio of equity securities of the Euro Stoxx 50 share index, and by investing also in Euro denominated short-term securities and short-term instruments, money market instruments and deposits with credit institutions.

The allocation to equities and equity related investments (through index futures and contracts for differences as described below) will vary from 0 to 84%. Depending on market conditions and the fluctuation of the equity securities comprised in the Euro Stoxx 50 and related index futures, the Manager will, to achieve the objective of capital preservation, invest, temporarily or for a longer term, a substantial portion of the assets of the Sub-Fund (between 16 and 100%) in Euro denominated short-term securities and short-term instruments, money market instruments and deposits with credit institutions.

The Sub-Fund will be actively managed with the purpose of selecting those equities within the EuroStoxx 50 share index which have a greater than average growth potential. The base currency of this Sub-Fund is Euro.

Investments in index futures and investments in contracts for differences may be used as determined from time to time by the Manager with the objective of gaining exposure to equities within the EuroStoxx 50 Share index in a more effective manner. Contracts for differences are contracts where the underlying instruments or investments may not be delivered, and settlement may be made in cash or in kind. Contracts for differences will only be entered into by the Fund when the counterparty is a first class financial institution specialised in this type of transactions. The total commitments resulting from futures contracts and contracts for differences may not exceed the total estimated market value of the assets held by the Sub-Fund.

Investors should be aware that contracts for differences, as they are private agreements, entail a counterparty risk for the Fund. This risk is mitigated through the fact that the Fund will enter into these agreements only with first class financial institutions.

**Risk Profile:** Investment in equity Sub-Funds will involve greater risks than investing in bond funds. However the opportunity for a level of return above inflation is higher, especially over the long term.

**Profile of the Typical Investor:** This Sub-Fund is suitable for investors who seek capital growth over a long-term period (3-5 years) through a high to very high- risk investment.

The investor must have experience in volatile products and must be able to accept losses of up to 20% of its original investment. This Sub-Fund is suitable for investors who can afford to set aside the capital.

### **CMIG Access 80% Austrian Sub-Fund**

The Sub-Fund aims to achieve long-term capital growth by investing directly or indirectly (through investments in Exchange Traded Funds, equity futures or contract for differences) in a portfolio of Austrian equities of the ATX index and by investing in Euro denominated short term securities and short-term instruments and deposits with credit institutions.

The allocation to equities and equity related investments (through index futures and contracts for differences as described below) will vary from 0 to 86.4%. Depending on market conditions and the fluctuation of the equity securities comprised in the ATX index, the Manager will, to achieve the objective of capital preservation, invest, temporarily or for a longer term, a substantial portion of the assets of the Sub-Fund (between 13.6 and 100%) in Euro denominated short-term securities and short-term instruments, money market instruments and deposits with credit institutions.

The Sub-Fund will be actively managed with the purpose of selecting those equities within the ATX share index which have a greater than average growth potential. The base currency of this Sub-Fund is Euro.

Investments in index futures and investments in contracts for differences may be used as determined from time to time by the Manager with the objective of gaining exposure to equities within the ATX Share index in a more effective manner. Contracts for differences are contracts where the underlying instruments or investments may not be delivered, and settlement may be made in cash or in kind. Contracts for differences will only be entered into by the Fund when the counterparty is a first class financial institution specialised in this type of transactions. The total commitments resulting from futures contracts and contracts for differences may not exceed the total estimated market value of the assets held by the Sub-Fund.

Investors should be aware that contracts for differences, as they are private agreements, entail a counterparty risk for the Fund. This risk is mitigated through the fact that the Fund will enter into these agreements only with first class financial institutions.

**Risk Profile:** Investment in equity Sub-Funds will involve greater risks than investing in bond funds. However the opportunity for a level of return above inflation is higher, especially over the long term.

**Profile of the Typical Investor:** This Sub-Fund is suitable for investors who seek capital growth over a long-term period (3-5 years) through a high to very high- risk investment.

The investor must have experience in volatile products and must be able to accept losses of up to 20% of its original investment. This Sub-Fund is suitable for investors who can afford to set aside the capital.

The launch date of this Sub-Fund as well as the details regarding the initial offering period are disclosed in its simplified prospectus.

### **CMIG Fixed Term US Bond Sub-Fund**

The objective of this Sub-Fund is to achieve a combination of income and long-term capital growth by investing in a diversified portfolio of US dollar denominated fixed interest securities. This Sub-Fund will principally invest in fixed term US dollar denominated bonds and other debt securities issued or guaranteed by governments, local authorities or public companies. The base currency of this Sub-Fund is US dollar.

**Risk Profile:** Investments in bond Sub-Funds have traditionally involved lower risk than an equity investment.

The annual distributions made by the Sub-Fund cannot be regarded as constant and the Sub-Fund has no specific maturity. This means that investors cannot count on a return on the investment at a certain value by a specific date in the future.

**Profile of the Typical Investor:** These Sub-Funds are suitable for investors who see investment funds as a convenient 'savings' product. They are also suitable for more experienced investors wishing to obtain defined investment objectives.

In an investor's portfolio, it is low-risk investment instrument or for more experienced investors a temporary investment intermixture in times of low market opportunities.

### **CMIG Fixed Term Euro Bond Sub-Fund**

The objective of this Sub-Fund is to achieve a combination of income and long-term capital growth by investing in a diversified portfolio of Euro denominated fixed interest securities. This Sub-Fund will principally invest in fixed term Euro denominated bonds and other debt securities issued or guaranteed by governments, local authorities or public companies. The base currency of this Sub-Fund is Euro.

Whilst the policy of the Fund will be that the assets of each Sub-Fund should be invested in pursuit of its investment objectives, the Fund has the right to maintain ancillary liquidity for any Sub-Fund in the form of cash or short-term investments (issued or guaranteed by first class borrowers), if the Directors consider it to be in the best interests of the shareholders of the Fund (the "Shareholders") to do so.

**Risk profile:** Investments in bond Sub-Funds have traditionally involved lower risk than an equity investment.

The annual distributions made by the Sub-Fund cannot be regarded as constant and the Sub-Fund has no specific maturity. This means that investors cannot count on a return on the investment at a certain value by a specific date in the future.

**Profile of the Typical Investor:** These Sub-Funds are suitable for investors who see investment funds as a convenient 'savings' product. They are also suitable for more experienced investors wishing to obtain defined investment objectives.

In an investor's portfolio, it is low-risk investment instrument or for more experienced investors a temporary investment intermixture in times of low market opportunities.

### **The Guaranteed Sub-Fund**

The Fund has the Access 80% Guaranteed Sub-Fund, described below, which currently only issues class 1 Shares.

#### **Access 80% Guaranteed Sub-Fund**

The objective of this Sub-Fund is to achieve long-term capital growth, whilst also ensuring at all times that the Dealing Price at which investors may redeem their Shares never falls below 80% of the highest Net Asset Value per Share achieved by the Sub-Fund since its establishment (the "Guaranteed Amount"). The Sub-Fund intends to achieve this objective by investing primarily in a portfolio of equity securities of the EuroStoxx 50 share index, equity related derivatives, Euro denominated short-term debt securities and short-term instruments, money market instruments and deposits with credit institutions. The achievement of the objective for the Net Asset Value not to fall below the Guaranteed Amount is delivered through the provision of a put option from HBOS Treasury Services plc (HBOSTS). Should the cash and securities in the fund fall below the requisite level, HBOSTS will inject sufficient cash into the fund to ensure that the Guaranteed Amount is maintained.

HBOSTS is a member of the HBOS group of companies and a prudentially supervised financial institution, the obligations of which are guaranteed by The Governor and Company of the Bank of Scotland.

Under the Put Option HBOSTS is obliged to pay to the Custodian, on behalf of the Sub-Fund, a sum to ensure the Net Asset Value per Share in this Sub-Fund is not less than the Guaranteed Amount at any time during the life of the Sub-Fund, subject to the terms and conditions of such Put Option which are explained in more detail below. The acquisition by the Sub-Fund of this Put Option is intended to ensure that investors will be able to redeem at all times their Shares at a Dealing Price at least equal to Guaranteed Amount.

The allocation of the Sub-Fund's assets to equities and equity related derivatives (through index futures and contracts for differences as described below) will vary from 0 to 84% of its Net Asset Value. Depending on market conditions and the fluctuation of the equity securities comprised in the EuroStoxx 50 and related index futures, the Manager will, to achieve the objective of capital preservation, invest, temporarily or for a longer term, a substantial portion of the assets of the Sub-Fund (between 16 and 100%) in Euro denominated short-term debt securities and short-term instruments, money market instruments and deposits with credit institutions.

The Sub-Fund will be actively managed with the purpose of selecting those equities within the EuroStoxx 50 share index which have a greater than average growth potential. The base currency of this Sub-Fund is Euro.

Investments in index futures and investments in contracts for differences may be used as determined from time to time by the Manager with the objective of gaining exposure to equities within the EuroStoxx 50 Share index in a more effective manner. Contracts for differences are contracts where the underlying instruments or investments may not be delivered, and settlement may be made in cash or in kind. Contracts for differences will only be entered into by the Sub-Fund when the counterparty is a first class financial institution specialised in this type of transactions. The total commitments resulting from futures contracts, contracts for differences together with any other

derivative financial instruments may not exceed the total estimated market value of the assets held by the Sub-Fund.

Investors should be aware that contracts for differences, as they are private agreements, entail a counterparty risk for the Sub-Fund. This risk is mitigated through the fact that the Sub-Fund will enter into these agreements only with first class financial institutions and may receive collateral.

**Risk Profile:** Investment in equity Sub-Funds will involve greater risks than investing in bond funds. However the opportunity for a level of return above inflation is higher, especially over the long term, and in the case of this Sub-Fund, investors benefit from the added guarantee provided by the Put Option.

**Risks specific to this Sub-Fund:** the Put Option issued by HBOSTS will be an over-the-counter derivative, and the Sub-Fund will therefore be subject to the risk that HBOSTS will default or not completely fulfil its obligations thereunder. Should HBOSTS fail to meet its obligations under the Put Option, investors' returns will be protected by the guarantee of HBOSTS's obligations issued by The Bank of Scotland, although the Sub-Fund will be subject to insolvency or default risk in relation to The Governor and Company of the Bank of Scotland.

The Put Option will contain the following carve-outs (i.e. situations in which HBOSTS will not be required to pay amounts in full under the Put Option). Firstly, those normally found in over-the-counter derivatives i.e. a default or potential default occurring in relation to the Sub-Fund (for these purposes a default includes a failure of the Sub-Fund to pay the premium, breach of the agreement by the Sub-Fund, or certain insolvency events occurring in relation to the Sub-Fund); a change in law which would cause the performance of either party to become illegal; or certain changes in applicable tax regimes which would result in additional tax being required to be paid). Secondly, there will be no obligation for HBOSTS to make a payment under the Put Option in respect of reductions in the NAV of the Sub-Fund due to (a) any acts or omissions of the Sub-Fund's service providers which are not part of the HBOS group of companies (i.e. RBC Dexia Investor Services Bank as the Custodian) or (b) where there is tax imposed though a change of law on income generated from assets other than equity securities held by the Sub-Fund.

The Put Option may be terminated in certain circumstances, and the Sub-Fund may not be able to enter into a replacement Put Option. The termination provisions of the Put Option will however enable the Fund to give prior notice to shareholders about the termination of the Put Option in a manner that shareholders will be able to redeem their Shares with the benefit of the Put Option during the relevant notice period. Upon the termination of the Put Option, the Directors will either change the name of the Sub-Fund in a manner to no longer comprise the word "guarantee" or terminate the Sub-Fund and update this Prospectus accordingly.

**Profile of the Typical Investor:** This Sub-Fund is suitable for investors who seek capital growth over a long-term period (3 to 5 years) but who require a certain degree of protection to their original investment and are therefore not prepared to risk more than 20% of the value of their original investment. Through the investment strategy of the Sub-Fund, it will not have more than 84% of its NAV invested in equity securities of, or equity derivatives giving exposure to, the EuroStoxx 50 share index and so the investment performance of the Sub-Fund will not be the same as the investment performance of the EuroStoxx 50 share index.

The investor must have experience in volatile products and must be able to accept losses of up to 20% of its original investment. This Sub-Fund is suitable for investors who can afford to set aside the capital they invest in the Sub-Fund.

The Fund may create new Sub-Funds and/or new classes of Shares from time to time, in which case this prospectus will be updated.

## **INVESTING IN THE FUND**

### **Why Luxembourg?**

Luxembourg is a well accepted centre for the establishment of investment funds and has a high reputation as a financial centre in the international financial community. Luxembourg is a member of the EU and was the first member state to adopt the Directive into national law.

Luxembourg has tax laws, which recognise the special position of investment funds and which subject to them to minimal taxation.

### **Simplicity**

Shares of any class can be bought, sold or switched at the Dealing Price for the relevant ruling at the time applications or requests together with cleared funds are received. The method of calculating this price is set out under the section “Calculation of Net Asset Value and Dealing Price”.

Subscriptions will be accepted in any freely convertible currency acceptable to the Manager. Subscriptions received in currencies other than the denominated currency of the relevant Sub-Fund will be sold for the requisite currency by the Manager, without responsibility as regards the Fund and at the expense and risk of the investor, and the net proceeds invested in the Fund. Shares will be allocated on the basis of the exchange rate prevailing upon receipt of cleared funds.

Investors may normally purchase or redeem Shares on a daily basis at the Dealing Price.

### **Publication of Share Prices**

Dealing Prices of the previous Dealing Day for class 1 Shares can be found daily in the Financial Times in the FT Managed Funds Service section, under Offshore and Overseas – Luxembourg (FSA recognised), or in our website at [www.clericalmedical.com](http://www.clericalmedical.com) under the globe icon ‘Universe, The CMI Global Network Fund, The Luxembourg SICAV’.

For the CMIG Sub-Funds, for class 2, class 3 and class 7 Shares, Dealing Prices will not be published but will be available at the registered office of the Fund.

### **What are the Risks?**

Investment in the Fund is likely to involve less risk than direct investment in individual shares because not only can you harness the investment skills of leading local fund managers but also your investments can be spread over a range of investment worldwide.

Investors should be aware of the varying risks associated with the different Sub-Funds. For example, investment in an emerging market Sub-Fund will involve greater potential risk and rewards than investment in a currency reserve Sub-Fund. Certain specific risks relating to individual Sub-Funds are highlighted in the descriptions of such Sub-Funds on pages 10 to 16 of this Prospectus.

Investments of each Sub-Fund are subject to market fluctuations. Consequently, there are no guarantees that investment objectives will be fulfilled or that capital growth will occur.

The value of Shares and income from them may fall as well as rise. The Sub-Funds are denominated in a number of currencies, sometimes the denominated currency of the Sub-Fund will differ from the currency denomination of the local economy and the underlying assets thereof. In general, changing currency exchange rates can cause fluctuation in the value of Shares of the Sub-Fund concerned.

### **What are the costs?**

As stated above, Shares may be purchased, redeemed or switched on a daily basis, at a single Dealing Price quoted for each class. However, the Manager is entitled to deduct an initial charge from all investments, which will not exceed eight and one half per cent (8.5%) of the subscription monies. A maximum of 2% (depending on the investment amount) will be payable to the Manager. Upon receipt of the investor's instruction, the Manager can also take up to 6.5% from the investment amount to pay an introductory fee to recognised professional advisers and other financial intermediaries.

The other costs involved are described in the section "Charges and Expenses" and include a management fee payable monthly calculated daily on the net asset value of each class.

### **How do you invest?**

The Fund currently issues four classes of Shares within each Sub-Fund. These classes are denominated class 1, class 2, class 3 and class 7. As more fully described below, different minimum subscription amounts and holding amounts may be applicable to each class of Share:

#### **Class 1**

Subject to the next paragraph, the sale of class 1 Shares is available to investors within each Sub-Fund (except for the CMIG Access 80% Sub-Fund), subject to a minimum initial investment and minimum holding per class of Eur 5,000 or the equivalent in a freely convertible currency acceptable to the Manager. At the discretion of the Manager, an investment of less than the minimum may be accepted. Additional subscriptions must also meet the minimum investment level of Eur 5,000.

In the case of the Access 80% Guaranteed Sub-Fund, the sale of class 1 Shares is subject to a minimum initial investment and minimum holding per class of Eur 5,000 or the equivalent in a freely convertible currency acceptable to the Manager. At the discretion of the Manager, an investment of less than the minimum may be accepted. Additional subscriptions must also meet a minimum investment level of Eur 1,000.

### **Class 2, class 3 and class 7**

The sale of class 2, class 3 and class 7 Shares is restricted to institutional investors such as financial institutions and professionals of the financial sector subscribing on their own behalf, insurance and reinsurance companies, social security institutions and pension funds, industrial financial groups and the structures which they put in place to manage their funds (“Institutional Investors”).

In considering the qualification of a subscriber as an Institutional Investor, the Directors shall have due regard to the guidelines or recommendations (if any) of the relevant supervisory authorities.

Institutional Investors subscribing in their own name, but on behalf of a third party, must certify to the Directors that such subscription is made on behalf of an Institutional Investor as aforesaid and the Directors shall require evidence that the beneficial owner of the Shares is an Institutional Investor.

The foregoing shall however not apply to credit institutions or other professionals of the financial sector established in Luxembourg or abroad, which invest in their own name but on behalf of their non-institutional clients on the basis of a discretionary management mandate.

**At present, class 2, class 3 and class 7 Shares may only be acquired by Institutional Investors, who are approved by the Manager.**

The minimum initial investment amount and minimum holding is Eur 850,000 for class 2 and class 7 and Eur 1,700,000 for class 3 or the respective equivalent in a freely convertible currency acceptable to the Manager.

Shares in the Fund will be allocated at the Dealing Price ruling at the Dealing Day on which applications or requests together with cleared funds have been received (or the next Dealing Day if received on a day which is not a Dealing Day) but if any such application or request is received after 1pm Luxembourg time on a Dealing Day, it will be deferred until the next Dealing Day. Investments in excess of Eur 50,000 (or equivalent in another currency) should be sent by telegraphic transfer.

In respect of the Access 80% Guaranteed Sub-Fund, the deadline to receive applications or requests together with cleared funds is 3pm Luxembourg time. Shares in the Fund will be allocated at the Dealing Price ruling at the Dealing Day following the day on which applications or requests together with cleared funds have been received (or the next Dealing Day if received on a day which is not a Dealing Day). But if any such application or request is received after 3pm Luxembourg time on a Dealing Day, it will be deferred until the next Dealing Day. Investments in excess of Eur 50,000 (or equivalent in another currency) should be sent by telegraphic transfer.

As an example, Monday and Tuesday are two dealing days. An instruction is received on Monday before 3pm Luxembourg time. The instruction will be processed using the dealing price of Tuesday.

Registered Shares are available in non-certificated form only. Non-certificated Shares offer much greater convenience particularly in relation to switches and redemptions. Contract notes will normally be sent immediately after allotment of Shares and will serve as confirmation of an investment.



**Shares issued within the CMIG Sub-Funds may only be subscribed for by companies which are members of the Clerical Medical Group and which qualify as Institutional Investors.**

### **How to apply?**

Application forms for the subscription of Shares shall be sent to the Transfer Agent, RBC Dexia Investor Services Bank, 14, Porte de France, L-4360 Esch-sur-Alzette. Telephone: +352 2605 96 45, Facsimile: +352 24 60 99 00.

### **Delegation of Powers**

Investors may choose to delegate their investment strategy to a nominated professional adviser who will be responsible for instructing the Fund to accept applications and subsequent directions. A Professional Advisor Form of Authority is available with the Application Form. Those investors who wish to take advantage of this facility should complete this form and return it to the Transfer Agent, together with a completed Application Form. It should be noted that such an appointment is at the discretion of the investor and that the Fund is not party to such an appointment.

### **Listing**

The Shares of all Sub-Funds are or will be listed on the Luxembourg Stock Exchange.

## **REPURCHASES AND SWITCHES**

### **Instructions**

Shares of any Sub-Fund may be repurchased (subject as mentioned below) or switched on a Dealing Day at the Dealing Price calculated on that Dealing Day. **However, only Shareholders who are Institutional Investors may request a repurchase into any class 2, class 3 or class 7 share, and only Shareholders who are member companies of Clerical Medical Group may request a repurchase into any of the CMIG Sub-Funds.**

Requests for repurchases or switches will be dealt with on the Dealing Day on which they are received (or the next Dealing Day if received on a day which is not a Dealing Day) but if any such request is received after 1pm Luxembourg time on a Dealing Day, it will be deferred until the next Dealing Day.

In respect of the Access 80% Guaranteed Sub-Fund, requests for repurchases or switches will be dealt with on the Dealing Day following the day on which they are received (or the next Dealing Day if received on a day which is not a Dealing Day) but if any such request is received after 3pm Luxembourg time on a Dealing Day, it will be deferred until the next Dealing Day.

Instructions for the repurchase or switching of Shares may be given by fax or telephone (which must be confirmed by letter) or in writing to the Transfer Agent, RBC Dexia Investor Services Bank, 14, Porte de France, L-4360 Esch-sur-Alzette. Telephone: +352 2605 96 45, Facsimile: +352 24 60 99 00.

Applications should provide the following information:

- the full name(s) and address of the Shareholder(s) making the request
- their personal account number
- the number or the value, expressed in the base currency of the relevant Sub-Fund, of Shares of each class to be redeemed or switched
- in the event of a switch, the new class of the same or another Sub-Fund chosen for investment.

Contract notes confirming the details of the repurchase or switch will be sent to Shareholders on the business day following receipt and acceptance of the request by the Fund.

### Switching

Holders of Shares will be entitled (subject as mentioned under “Suspensions” below) to switch some or all of their holding of Shares of one class into Shares of another class of the same or another Sub-Fund. The Fund may refuse to comply with such instructions if to do so would result in a holding of less than the applicable minimum holding.

**Only Shareholders who are Institutional Investors may request a switch into any class 2, class 3 or class 7 share, and only Shareholders who are member companies of Clerical Medical Group may request a switch into any of the CMIG Sub-Funds.**

On a switch, the holding of Shares of one class will be purchased by the Fund at the Dealing Price for that class and the Fund will then sell to the Shareholder on the same day Shares of another class, also at the Dealing Price. Shareholders wishing to use the switching facility should make use of the procedure as set out in the section, “Calculation of Net Asset Value and Dealing Price Switches” and should indicate clearly that a switch is required.

The Directors will determine the number of Shares of the class into which the Shareholder wishes to switch his existing Shares in accordance with the following formula:-

$$A = \frac{(B \times C - E) \times F}{D}$$

where:

- A is the number of Shares to be allocated in the new class.
- B is the number of Shares relating to the original class to be switched.
- C is the Dealing Price per Share relating to the original class.
- D is the Dealing Price per Share relating to the new class.
- E is the switching charge (if any) that may be levied by the Directors.

F is the currency exchange rate representing the effective rate of exchange applicable to the transfer of assets between the relevant Sub-Funds, after adjusting such rate as may be necessary to reflect the effective costs of making such transfer, provided that when the original Sub-Fund and the new Sub-Fund are designated in the same currency, the rate is one.

### **Charges on Switches**

Details are contained in the section “Charges and Expenses – On Switches”.

### **Settlement**

In the case of repurchases, payments will normally be dispatched in the currency of the Sub-Fund. Investors subscribing in other currencies will be deemed to have selected their repurchases to be paid in the currency of the Sub-Fund. Payments will be dispatched within five business days after the relevant Dealing Day provided that written request for repurchase has by then been received.

Payment may, on request to the Manager and at the Manager’s discretion, also be made in a currency, other than the currency of the Sub-Fund, that can be easily converted from the currency in which the Shares held are priced. Any such conversion will be carried out by the Manager on behalf of the Shareholder, without responsibility of the Fund, and any foreign exchange transaction cost will be deducted from the amount payable to Shareholder. Payment will be by a cheque payable to the Shareholder(s) and sent to the Shareholder(s) at his address shown in the register of Shareholders of the Fund (the "Register of Shareholders") or, at the request and the expense of the Shareholder and on his or her specific authority, by transfer of funds to a bank account in the named of the Shareholder(s).

### **General**

Instructions to repurchase, or switch as described above, once given, are irrevocable except in the case of suspension (see the section “Calculating of the Net Asset Value and Dealing Price-Suspensions”).

The Fund may refuse to comply with such instructions if to do so would result in the Shareholder holding less than the minimum holding amount applicable for each class. In addition, the Fund will only accept redemption requests for a minimum amount of Eur 170 (or, in relation to the Access 80% Guaranteed Sub-Fund, Eur 1,000).

If in exceptional circumstances the liquidity of any particular Sub-Fund is not sufficient to enable payment to be made within the period referred to above, such payment will be made as soon as reasonably practicable thereafter but without interest.

In the event that total requests for redemptions and switches of Shares of any class on any Dealing Day when aggregated with redemption and switching requests deferred under this section exceed 10% of the total number of Shares outstanding of that class, then redemptions and switches on that Dealing Day may be reduced or deferred so as to reduce such requests to that 10% level; any requests so reduced or deferred shall be effected in priority to subsequent requests as of the first following Dealing Day, subject to the foregoing limit.

If, as a result of such repurchase or otherwise, the capital of the Fund would be reduced below two-thirds of the minimum capital (as determined by Luxembourg law), the Directors are required by law to submit to a general meeting of Shareholders a resolution to consider the dissolution of the Fund.

The repeated purchase and sale of Shares designed to take advantage of pricing inefficiencies in the Fund – also known as “Market Timing”- may disrupt portfolio investment strategies and increase the Fund's expenses and adversely affect the interests of the Fund's long term Shareholders. To deter such practice, the Directors reserve the right, in case of reasonable doubt and whenever an investment is suspected to be related to Market Timing, which the Directors shall be free to appreciate, to suspend, revoke or cancel any subscription or conversion order placed by investors who have been identified as doing frequent in and out trades within the Fund.

The Directors, as safeguard of the fair treatment of all investors, take necessary measures to ensure that (i) the exposure of the Fund to Market Timing activities is adequately assessed on an ongoing basis, and (ii) sufficient procedures and controls are implemented to minimise the risks of Market Timing in the Fund.

## **DIVIDENDS**

### **Dividend Policy**

Except for the Access 80% Guaranteed Sub-Fund, it is intended that the Fund will distribute at least 85 per cent of the net investment income of each Sub-Fund or class, computed broadly in accordance with the definition of net taxable income under United Kingdom corporation tax principles, to the Shareholders of that Sub-Fund or class so that it might qualify as a “distributing fund” for the purposes of United Kingdom tax legislation relating to off-shore funds.

The Access 80% Guaranteed Sub-Fund will not distribute but accumulate income.

The CMIG Access 80% Austrian Sub-Fund will not distribute but accumulate income.

### **Declaration of Dividends**

Dividends on each relevant Sub-Fund or class will be declared annually and paid normally within two weeks of the declaration date to Shareholders whose names appear on the Register of Shareholders on 30 September. Dividends will be payable in the currency of the relevant Sub-Fund.

Annual dividends will be declared by the Shareholders of the relevant Sub-Fund or class in general meeting. Interim dividends will be declared by the Directors.

### **Reinvestment and Payment of Dividends**

All Shares outstanding at the dividend record date will be eligible for dividends.

Unless the Shareholder requests otherwise, dividends will be reinvested by subscription for further Shares of the class to which such dividends relate. Dividends below Eur 35 (or the equivalent in another currency) will automatically be reinvested by subscription for further Shares of the class to which such dividends relate. Such further Shares will be issued at the Dealing Price of each class as on the date one week prior to the payment date, or if this is not a Dealing Day the next available Dealing Day.

Where dividends are reinvested, dividends will be paid to RBC Dexia Investor Services Bank for their account and will subsequently be reinvested automatically by RBC Dexia Investor Services Bank in the subscription for further Shares of the class to which such dividends relate.

Reinvested dividends will be issued as non-certificated registered Shares. Reinvested dividends are likely to be treated for tax purposes in most jurisdictions as income received by the Shareholder. Consequently a dividend notice will be forwarded to Shareholders concerned, who may use such notice in connection with their returns of income to any taxation authority to whom they may be liable to make such returns.

Shareholders who wish to receive warrants for their dividends must make such a request in writing to the Fund. Dividends will be payable in the currency of relevant Sub-Fund. If no instruction is received before the relevant distribution date, dividends will be reinvested automatically on the Shareholder's behalf by RBC Dexia Investor Services Bank

### **Income Equalisation**

The Dealing Price includes an equalisation payment representing undistributed income accrued.

Accordingly, when Shares are purchased the Dealing Price will be deemed to include an equalisation payment (which will be credited to the relevant equalisation account) and the first distribution to a Shareholder in respect of any such Share will include a payment of capital (which will be debited to the relevant equalisation account) usually equal to the amount of such equalisation payment.

Conversely, when Shares are repurchased or switched the Dealing Price will also include an equalisation payment (which will be debited to the relevant equalisation account) in respect of the undistributed income accrued in the Fund up to the date of redemption.

Accordingly Shares purchased since the last relevant dividend record date which entitled Shareholders to receipt of a dividend are designated as "Group 2" Shares whilst Shares already held at that date are designated as "Group 1" Shares. When a dividend is next paid the distribution of the Group 1 Shareholding will be entirely represented by income but the dividend on the Group 2 Shareholding will include a return of capital representing the equalisation payment.

### **General**

The Articles prohibit the distribution by way of dividend of surpluses on the realisation of investments. Dividends not collected within five years will lapse and accrue for the benefit of the Sub-Fund concerned in accordance with Luxembourg law. No distribution may be made as a result of which the capital of the Fund would become less than the minimum capital required by Luxembourg law.

## **CHARGES AND EXPENSES**

### **On Application**

The Manager is entitled to deduct an initial charge from all investments, which will not exceed eight and one half per cent (8.5%) of the subscription monies. A maximum of 2% (depending on the investment amount) will be payable to the Manager. Upon receipt of the investor's instruction, the Manager can also take up to 6.5% from the investment amount to pay an introductory fee to recognised professional advisers and other financial intermediaries.

### **On Switches**

The first twelve switches in any calendar year will be free of any switching fee. Thereafter the Manager will deduct a fee of Eur 35 or the equivalent in any other currency, from the value of an investor's holding prior to reinvesting proceeds in another class of the same or another Sub-Fund. However the Manager reserves the right where switches have exceeded a total of twelve in any calendar year, to increase the fee of Eur 35 up to the equivalent of 2% of the value of an investor's holding, in the event that such switching is detrimental to existing Shareholders in the same class and/or Sub-Fund.

### **On Repurchase**

There is no fee charged by the Manager or the Fund for repurchasing Shares.

### **Management Fees**

The Fund will pay management fees monthly and calculated daily on the net asset value of each class, currently based upon the annual rates set out in the table below.

	Class 1	Class 2	Class 3	Class 7
Equity Sub-Funds, The CMI Global Mixed Sub-Fund, and The CMI Global Bond Sub-Fund, except for the US Equity, Japan Equity and Pacific Basin Equity	1.25%	0.33%	0.115%	0.15%
The CMI US Equity, Japan Equity and Pacific Basin Equity	0.75%	0.23%	0.115%	0.15%
Bond Sub-Funds (except the CMI Global Bond Sub-Fund), CMIG Fixed Term US Bond Sub-Fund and CMIG Fixed Term Euro Bond Sub-Fund	0.75%	0.23%	0.115%	0.15%
Equity Index Tracking and Currency Reserve Sub-Funds	0.5%	0.18%	0.115%	0.15%
CMIG Access 80% Sub-Fund	N/a	N/a	N/a	0.15%

CMIG Access 80% Austrian Sub-Fund	N/a	N/a	N/a	0.15%
Access 80% Guaranteed Sub-Fund	1.85%	N/a	N/a	N/a

The management fees will remunerate the Manager, Investment Advisers, Administrative Agent and the Client Service Centres, as may be mutually agreed from time to time among such parties. The management fee for the Access 80% Guaranteed Sub-Fund includes an amount, which will be paid to the provider of the Put Option held by that Sub-Fund as part of its investment strategy.

The management fees may be increased by agreement between the Fund and the Manager up to an amount equal to 1.5% per annum of the net asset value of each class, provided in the case of the Access 80% Guaranteed Sub-fund that amount may be up to 2.5% per annum of the net asset value of each class. Where any such increase is to occur it will only apply provided one month prior written notice is given to Shareholders, provided any decrease in the management fees may occur without such prior written notice.

The Manager is entitled at its sole discretion and without recourse or cost to the Fund or any Shareholder to rebate all of or any of its fees and to pay commission to any investors or their brokers or agents in respect of any subscriptions for, or holdings of, Shares.

### **Custodian**

In accordance with Luxembourg law the custody of the Fund's assets are entrusted to the Custodian, RBC Dexia Investor Services Bank, for safekeeping. The Custodian must:

- (a) ensure that the sale, issue, repurchase and cancellation of Shares effected by or on behalf of the Fund are carried out in accordance with Luxembourg law and the Articles;
- (b) ensure that in transactions involving the Sub-Funds' assets, any consideration is remitted to it within the usual time limits;
- (c) ensure that the Sub-Funds' income is applied in accordance with Luxembourg law and the Articles;

In this respect the Custodian will receive a fee from the Fund, which amounts to a maximum of 0.10% of the Net Asset Value.

### **Other Expenses**

The Fund will pay all other expenses incurred in its operation including the fees and expenses of the Directors, the auditors of and legal advisers to the Fund, the cost of printing and distribution of the annual and semi-annual reports and further prospectuses, all banking and brokerage charges, all taxes and governmental duties and charges levied on the Fund, the cost of publication of prices and the fees and expenses involved in registering and maintaining the registration or authorisation of the Fund with any governmental agencies and stock exchanges.

### **TAXATION**

The following information is not comprehensive, is based on applicable laws as currently enacted, and is subject to change. It is anticipated that persons investing in the Fund may be subject to taxation in a variety of jurisdictions. **Therefore, prospective investors should consult their own professional advisers on the consequences of acquiring, holding, switching or disposing of Shares of the Fund.**



## **Taxation of Shareholders**

### *EU Tax Considerations for EU resident individuals*

The Council of the EU has adopted on 3<sup>rd</sup> June 2003 a Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the “Directive”). Under the Directive, Member States of the EU will be required to provide the tax authorities of another EU Member State with details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other EU Member State. Austria, Belgium and Luxembourg have opted instead for a withholding system for a transitional period in relation to such payments. Certain other countries, including Switzerland, the Caribbean countries, UK Channel Islands, Isle of Man, Monaco, Liechtenstein, Andorra and the Republic of San Marino will also be introducing measures equivalent to information reporting or withholding tax.

The Directive has been implemented in Luxembourg by a law published on June 22, 2005 in the Mémorial (the “Law”). Pursuant to the Law, from July 1, 2005 until June 30, 2008, the applicable withholding tax rate will be 15% and from July 1, 2008 until June 30, 2011 the applicable withholding tax rate will be 20%, rising to 35% from July 1, 2011.

Article 9 of the Law provides that no withholding tax will be withheld if the beneficial owner expressly authorizes the paying agent to report information in accordance with the provisions of the Law.

Any dividends distributed by a Sub-Fund of the Fund will be subject to the Directive and the Law if more than 15% of the Sub-Fund’s assets are invested in debt claims (as defined in the Law). Proceeds realized by Shareholders on the disposal of Shares will be subject to such reporting or withholding if more than 40% of the Sub-Fund’s assets are invested in debt claims.

The Fund reserves the right to reject any application for Shares if the information provided by any prospective investor does not meet the standards required by legislation enacted as a result of this Directive.

Luxembourg: Subject to the provisions of the Savings Directive as implemented into Luxembourg law, Shareholders are not subject to any capital gains, income, withholding, gift, estate, inheritance or other tax in Luxembourg (except for Shareholders domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg if owning more than 10% of the Share Capital of the Fund).

United Kingdom: Generally: Dividends will comprise income in the hands of United Kingdom resident Shareholders whether or not reinvested in additional Shares. Depending on their circumstances United Kingdom resident Shareholders may be liable to income tax or corporation tax in respect of their dividends.

Since 1 October 1990, the Fund has operated equalisation arrangements. This means that the first dividend paid to a person acquiring a material interest by way of initial purchase, includes a payment, which is a return of capital. Such payment is determined by reference to the income, which had accrued to the Fund in the period before that incoming investor’s acquisition. As a

corollary, accrued income paid to outgoing investors as part of their capital payments is treated as income for tax purposes.

Following the introduction of income equalisation on 1 October 1990, the sale and repurchase prices of Shares include an income equalisation amount representing any income attributable to the Shares since the last relevant dividend record date. As stated above, an amount representing the equalisation, if any, will be included in the first relevant dividend payment after the purchase, in respect of Shares issued from 1 October 1990 onwards.

On the assumption that the Sub-Funds (other than the Access 80% Guaranteed Sub-Fund) will each qualify as a “distributing fund” (see below) gains realised on disposals, including switching, of Shares in the relevant Sub-Funds by Shareholders subject to United Kingdom taxation may, depending on their circumstances, be subject to tax as capital gains.

The Fund is an offshore fund for the purposes of Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 (the “Taxes Act”) and if it were not to obtain certification as a distributing fund for each of those Sub-Funds which will seek such status throughout the period over which Shares are held, gains arising on their disposal would comprise income for the purposes of United Kingdom taxation. The investment and distribution policies of the Sub-Funds (other than the Access 80% Guaranteed Sub-Fund) are designed so as to enable them to qualify as distributing funds and it is intended to make application for certification each year. As a consequence of the receipt of certification, part of the proceeds on a disposal of Shares after 1 October 1990 representing accrued income is subject to taxation as income and the relevant details will be included on repurchase and switching contract notes. The receipt of certification from the Inland Revenue, which is granted retrospectively, cannot be guaranteed and if it were not forthcoming the whole of any gains on disposals or switching would comprise income for all United Kingdom tax purposes.

**United Kingdom Resident Non-Corporate Shareholders:** United Kingdom resident shareholders who are individuals or otherwise not within the charge to corporation tax may, depending on their personal circumstances, be liable to capital gains tax in respect of gains arising from the disposal of Shares in a Sub-Fund or the switching of Shares in one Sub-Fund for Shares in another Sub-Fund (switches between Classes within a Sub-Fund should not give rise to a liability to capital gains tax). Individuals are only liable to capital gains tax if their total chargeable gains in a tax year exceed the annual exemption. If gains in excess of this exemption are realised, the excess (as reduced by taper relief for periods of ownership after 5 April 1998) is taxable at the marginal rate of income tax applicable to the investor.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of the transfer of asset abroad legislation contained in Chapter III Part XVII Taxes Act, which may render such individuals liable to income tax in respect of offshore income gains which may arise on disposals of Shares in the Fund in certain circumstances.

**United Kingdom resident Corporate Shareholders:** The position for United Kingdom resident corporate shareholders on disposing of Shares in a Sub-Fund or on switching Shares in one Sub-Fund for Shares in another Sub-Fund is dependent on whether that Sub-Fund fails the non-qualifying investments test.

A Sub-Fund will fail the non-qualifying investments test where the market value of the investments in 'bonds' (the description 'bonds' includes money placed at interest, securities other than shares, shares in a building society or holdings in a unit trust scheme or an offshore fund or an open-ended investment company which itself fails the non-qualifying investments test) exceeds 60 per cent of the market value of all the investments of the Sub-Fund. This may occur in relation to the CMIG Access 80% Sub-Fund and the Access 80% Guaranteed Sub-Fund due to the operation of their respective investment strategies.

Where a Sub-Fund fails the non-qualifying investments test, the holding is required to be brought into account under the loan relationships legislation pursuant to Chapter II Part IV Finance Act 1996.

Where a Sub-Fund passes the non-qualifying investments test, the disposal of Shares in a Sub-Fund or the switching of Shares in one Sub-Fund for Shares in another Sub-Fund may give rise to a liability to corporation tax in respect of chargeable gains arising from the disposal (switches between Classes within a Sub-Fund should not give rise to a liability to corporation tax on chargeable gains). Shareholders within the charge to corporation tax may claim indexation allowance to reduce the amount of any chargeable gain arising on a disposal of the Shares.

Detailed consideration of the United Kingdom rules relating to loan relationships and taxation of chargeable gains is outside the scope of this prospectus and therefore United Kingdom resident corporate shareholders are advised to consult their own tax adviser.

The attention of any United Kingdom resident corporate shareholders who, together with connected or associated persons, is entitled to at least 24 per cent of the Shares is drawn to the provisions of the controlled foreign companies legislation contained in Chapter IC Part XVII Taxes Act.

Any United Kingdom resident investor looking to invest in Shares of the Access 80% Guaranteed Sub-Fund should consult their independent tax advisor before doing so.

Republic of Ireland: The Fund (other than in relation to the Access 80% Guaranteed Sub-Fund) also intends each year to seek certification that each Sub-Fund is a "distributing fund" by the Revenue Commissions in Ireland. The receipt of certification from the Revenue Commissioners, which is granted retrospectively, cannot be guaranteed and if it were not forthcoming the whole of any gains on disposals would comprise income for Irish tax purposes.

## **Taxation of the Fund**

Generally: As a matter of Luxembourg law, the Fund may not distribute by way of dividend an aggregate amount which, following such distributions, would reduce the net asset value of the Fund to below the minimum share capital determined by Luxembourg law. Dividends and interest received by the Fund on its investments are generally subject to non-recoverable withholding taxes in the countries of origin.

Luxembourg: Under present Luxembourg law and practice, the Fund is not liable to any Luxembourg income tax nor are dividends paid by the Fund liable to any Luxembourg withholding tax. The Fund, in respect of each Sub-Fund which has class 1 Shares (excluding the Currency Reserve Sub-Funds and the CMIG Sub-Funds) is liable in Luxembourg to a tax of 0.05% per annum of the NAV of that Sub-Fund attributable to those class 1 Shares, such tax being payable quarterly

on the basis of the NAV at the end of the relevant calendar quarter. In respect of class 2, class 3 and class 7 Shares, the CMIG Sub-Funds and the three Currency Reserve Sub-Funds, the tax levied will be at the rate of 0.01% per annum in a similar manner. No stamp duty or other tax is payable in Luxembourg on the issue of Shares except a once and for all initial registration tax which was paid on incorporation. No Luxembourg capital gains tax is payable on the realised or unrealised capital appreciation of the assets of the Fund.

United Kingdom: On the basis that the central management and control of the Fund will not be located with the United Kingdom, the Fund should not be resident in the United Kingdom for taxation purposes. The Fund will not be eligible to obtain payment in respect of tax credits associated with United Kingdom dividends and may be subject to income tax on United Kingdom source interest.

### **INVESTMENT SAFEGUARDS**

The Directors shall, based upon the principle of spreading or risks, have power to determine the investment policy for each Sub-Fund within the Fund, and the course of conduct of the management and business of the Fund. The Directors have resolved that:

- I. (1) The Fund, for each Sub-Fund, may invest in:
- a) transferable securities and money market instruments admitted to or dealt in on an Eligible Market;
  - b) 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 an Eligible Market and such admission is secured within one year of the issue;
  - c) units of UCITS and/or other UCI, whether situated in an EU Member State or not, provided that:
    - such other UCIs have been authorised under the laws of any Member State of the EU or under the laws of Canada, Hong Kong, Japan, Norway, Switzerland or the United States of America,
    - the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders 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 the Directive,
    - the business of such 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 units of other UCITS or other UCIs;

d) 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 country which is an OECD member state and a FATF State;

e) financial derivative instruments, including equivalent cash-settled instruments, dealt in on an Eligible Market and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:

- the underlying consists of instruments covered by this section (I) (1), financial indices, interest rates, foreign exchange rates or currencies, in which the Sub-Funds may invest according to their investment objective;
- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority;
- 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 Fund's initiative;

and/or

f) money market instruments other than those dealt in on an Eligible Market, if the issue or the issuer of such instruments are themselves 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 an EU Member State, the European Central Bank, the EU or the European Investment Bank, a non-EU Member 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 EU Member States belong, or
- issued by an undertaking any securities of which are dealt in on Eligible Markets, 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 Luxembourg supervisory

authority to be at least as stringent as those laid down by Community law, such as, but not limited to, a credit institution which has its registered office in a country which is an OECD member state and a FATF State.

- issued by other bodies belonging to the categories approved by the Luxembourg supervisory 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 (10,000,000 EUR) and which presents and publishes its annual accounts in accordance with the fourth 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) In addition, the Fund may invest a maximum of 10% of the net assets of any Sub-Fund in transferable securities and money market instruments other than those referred to under (1) above.

II. The Fund may hold ancillary liquid assets.

- III.
- a) (i) The Fund will invest no more than 10% of the net assets of any Sub-Fund in transferable securities and/or money market instruments issued by the same issuing body.
  - (ii) The Fund may not invest more than 20% of the net assets of any Sub-Fund in deposits made with the same body.
  - (iii) The risk exposure of a Sub-Fund to a counterparty in an OTC derivative transaction may not exceed 10% of its net assets when the counterparty is a credit institution referred to in I. d) above or 5% of its net assets in other cases.
- b) Moreover, where the Fund holds on behalf of a Sub-Fund investments in transferable securities and money market instruments of issuing bodies which individually exceed 5% of the net assets of such Sub-Fund, the total of all such investments must not account for more than 40% of the total net assets of such Sub-Fund.

This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph a), the Fund may not combine for each Sub-Fund:

- investments in transferable securities or money market instruments issued by a single body,
- deposits made with a single body, and/or
- exposures arising from OTC derivative transactions undertaken with a single body

in excess of 20% of its net assets.

- c) The limit of 10% laid down in sub-paragraph a) (i) above is increased to a maximum of 35% in respect of transferable securities or money market instruments which are issued or guaranteed by an EU Member State, its local authorities, or by another Eligible State or by public international bodies of which one or more EU Member States are members.
- d) The limit of 10% laid down in sub-paragraph a) (i) is increased to 25% for certain bonds when they are issued by a credit institution which has its registered office in a Member State of the EU and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.

If a Sub-Fund invests more than 5% of its net assets in the bonds referred to in this sub-paragraph and issued by one issuer, the total value of such investments may not exceed 80% of the net assets of the Sub-Fund.

- e) The transferable securities and money market instruments referred to in paragraphs c) and d) shall not be included in the calculation of the limit of 40% in paragraph b).

The limits set out in sub-paragraphs a), b), c) and d) may not be aggregated and, accordingly, investments in transferable securities or money market instruments issued by the same issuing body, in deposits or in derivative instruments effected with the same issuing body may not, in any event, exceed a total of 35% of any Sub-Fund's net assets;

Companies which are part of the same group for the purposes of the establishment of consolidated accounts, as defined in accordance with directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained in this paragraph III).

The Fund may cumulatively invest up to 20% of the net assets of a Sub-Fund in transferable securities and money market instruments within the same group.

- f) **Notwithstanding the above provisions, the Fund is authorised to invest up to 100% of the net assets of any Sub-Fund, in accordance with the principle of risk spreading, in transferable securities and money market instruments issued or guaranteed by a Member State of the EU, by its local authorities or agencies, or by another member State of the OECD or by public international bodies of which one or more Member States of the EU are members, provided that such Sub-Fund must hold securities from at least six different issues and securities from one issue do not account for more than 30% of the net assets of such Sub-Fund.**

- IV.
- a) Without prejudice to the limits laid down in paragraph V., the limits provided in paragraph III. are raised to a maximum of 20% for investments in shares and/or bonds issued by the same issuing body if the aim of the investment policy of a Sub-Fund is to replicate the composition of a certain stock or bond index which is sufficiently diversified, represents an adequate benchmark for the market to which it refers, is published in an appropriate manner and disclosed in the relevant Sub-Fund's investment policy.
- b) The limit laid down in paragraph a) is raised to 35% where this proves to be justified by exceptional market conditions, in particular on 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.
- V. The Fund may not acquire shares carrying voting rights which should enable it to exercise significant influence over the management of an issuing body.

The Fund may acquire no more than:

- 10% of the non-voting shares of the same issuer;
- 10% of the debt securities of the same issuer;
- 10% of the money market instruments of the same issuer.



These limits under second and third indents may be disregarded at the time of acquisition, if at that time the gross amount of debt securities or of the money market instruments cannot be calculated.

The provisions of paragraph V. shall not be applicable to transferable securities and money market instruments issued or guaranteed by a Member State of the EU or its local authorities or by any other Eligible State, or issued by public international bodies of which one or more Member States of the EU are members.

These provisions are also waived as regards shares held by the Fund in the capital of a company incorporated in a non-Member State of the EU which invests its assets mainly in the securities of issuing bodies having their registered office in that State, where under the legislation of that State, such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that State provided that the investment policy of the company from the non-Member State of the EU complies with the limits laid down in paragraph III., V. and VI. a), b), c) and d).

- VI.
- a) No Sub-Fund may invest more than 10% of its net asset value in units of UCITS or other UCIs. In addition, the following limits shall apply.
  - b) The underlying investments held by the UCITS or other UCIs in which the Fund invests do not have to be considered for the purpose of the investment and borrowing restrictions set forth under III. above.
  - c) When the Fund invests in the units of UCITS and/or other UCIs linked to the Fund by common management or control, no subscription or redemption fees may be charged to the Fund on account of its investment in the units of such other UCITS and/or UCIs, except for any applicable dealing charge payable to the UCITS and/or UCIs.

It is expected that investments will be in investment funds of the Clerical Medical Group. There will be no duplication of investment advisory and management fees for such investments. No subscription commission, with the exception of any applicable dealing charges, will be charged for investments by the Fund into other investment funds of the Clerical Medical Group. Such investments may however entail a duplication of certain fees and expenses such as administration, operating and auditing costs.

- d) The Fund may acquire no more than 25% of the units of the same UCITS or other UCI. This limit may be disregarded at the time of acquisition if at that time the net amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS or other UCI concerned, all compartments combined.

VII. The Fund shall ensure for each Sub-Fund that the global exposure relating to derivative instruments does not exceed the net assets of the relevant Sub-Fund.

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. This shall also apply to the following subparagraphs.

If the Fund invests in financial derivative instruments, the exposure to the underlying assets may not exceed in aggregate the investment limits laid down in paragraph III above. When the Fund invests in index-based financial derivative instruments, these investments do not have to be combined to the limits laid down in paragraph III.

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 paragraph VII.

- VIII.
- a) The Fund may not borrow for the account of any Sub-Fund amounts in excess of 10% of the net assets of that Sub-Fund, any such borrowings to be from banks and to be effected only on a temporary basis, provided that the Fund may acquire foreign currencies by means of back to back loans;
  - b) The Fund may not grant loans to or act as guarantor on behalf of third parties.

This restriction shall not prevent the Fund from acquiring transferable securities, money market instruments or other financial instruments referred to in I. (1) c), e) and f) which are not fully paid.

- c) The Fund may not carry out uncovered sales of transferable securities, money market instruments or other financial instruments.
- d) The Fund may not acquire movable or immovable property.
- e) The Fund may not acquire either precious metals or certificates representing them.

- IX.
- a) The Fund needs not comply with the limits laid down in this chapter when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets. While

ensuring observance of the principle of risk spreading, recently created Sub-Funds may derogate from paragraphs III., IV. and VI. a), b), c) for a period of six months following the date of their creation.

- b) If the limits referred to in paragraph a) are exceeded for reasons beyond the control of the Fund or as a result of the exercise of subscription rights, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interest of its shareholders.
- c) To the extent that an issuer is a legal entity with multiple compartments where the assets of the compartment are exclusively reserved to the investors in such compartment and to those creditors whose claim has arisen in connection with the creation, operation or liquidation of that compartment, each compartment is to be considered as a separate issuer for the purpose of the application of the risk spreading rules set out in paragraphs III., IV. and VI.

X. the Fund may not a) acquire for the benefit of any Sub-Fund securities which are partly paid or not paid or involving liability (contingent or otherwise) unless according to the terms of issue such securities will or may at the option of the holder become free of such liabilities within one year of such acquisition and b) underwrite or sub-underwrite securities of other issuers for any Sub-Fund;

XI. the Fund may not deal in forward foreign exchange or enter into forward exchange contracts or financial futures contracts except to hedge against risks and for transactions involving;

a) the sale of currency which is due to the Fund in connection with the sale of securities of any Sub-Fund or the issue of Shares;

b) the purchase of currency where such currency is payable by the Fund in connection with the purchase of securities for any Sub-Fund, the redemption of Shares or the payment of dividends or distributions to Shareholders;

c) a particular currency to the extent of the value of securities held by the Fund for any Sub-Fund and denominated in such currency and of cash so held in such currency and provided that, in the case of such part of such value as is attributable to debt securities so held and denominated, the contract is for a period not extending beyond the final maturity of such securities;

XII. the Fund may employ techniques and instruments relating to transferable securities under the condition and within the limits laid down by law, regulation or administration practice provided that such techniques or instruments are used for the purpose of efficient fund management and provide further that the fund may not;

a) purchase or invest in, for any Sub-Fund, put or call options on securities and/or put or call options based on stock indices if the aggregate of the exercise prices under all such options would at any time exceed 15% of the net asset value of such Sub-Fund, or

b) write or sell for any Sub-Fund call options on securities and/or call options based on stock indices, other than covered call options on securities and/or call options based on stock indices, other than covered call options on securities held by the Fund for any Sub-Fund not exceeding 25% of the value of such securities after deducting from such value and value of options purchased;

c) hold options for any Sub-Fund in respect of which the value of the underlying securities exceeds 10% of the net asset value of such Sub-Fund, and all such permitted options will be contracts which are standardised or customary and traded on recognised exchanges or other organised markets;

XIII. the Fund may engage in securities lending transactions only subject to the following conditions and restrictions:

(i) the Fund may only participate in securities lending transactions within a standardised lending system organised by a recognised securities clearing institution or by a highly rated financial institution specialised in that type of transaction;

(ii) the Fund must receive collateral in cash and/or in the form of securities issued or guaranteed by Member States of the OECD or by their local authorities or by supranational institutions and organisations with EU, regional or worldwide scope which is blocked in favour of the Fund until termination of the lending contract and the value of which must be at least equal to the value of the global valuation of the securities lent;

(iii) lending transactions may not be carried out on more than 50 % of the aggregate market value of the securities in the portfolio of each Sub-Fund provided however that this limitation is not applicable where the Fund has the right to terminate the contract at any time and obtain restitution of the securities lent; and

(iv) lending transactions may not extend beyond a period of 30 days provided however that this limitation is not applicable where the Fund has the right to terminate the contract at any time and obtain restitution of the securities lent.

XIV. In respect of third parties, including subsidiaries of CMI, organising or structuring securities lending arrangements or acting as agents in relation to securities lending transactions, the Fund may share with such third parties the revenues arising from generated income of the securities lending transactions as may be agreed between the Fund and such third parties from time to time. The Directors will ensure that revenues arising from securities lending transactions are in accordance with usual market practice and that the Fund retains an appropriate share of no less than 50%. The net revenues of the Fund arising from securities lending transactions are specified at the date of reference in the semi-annual and annual reports published by the Fund.

## **HISTORICAL PERFORMANCE**

The historical performance of the Sub-Funds will be published in the Simplified Prospectus for each Sub-Fund. Past performance is not necessarily indicative of future results.

## **RISK-MANAGEMENT PROCESS**

The Manager 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 each Sub-Fund.

The Manager will employ, if applicable, a process for accurate and independent assessment of the value of any OTC derivative instruments.

## **CALCULATION OF NET ASSET VALUE AND DEALING PRICE**

### **Net Asset Value**

The reporting currency of the Fund is the Euro.

Each Sub-Fund will be valued on each Dealing Day.

Normally Shares of any class may be purchased, sold or switched at the Dealing Price calculated on that Dealing Day (hereinafter referred to as the Valuation Date) provided that the appropriate applications or requests, together with cleared funds, are made in due time.

Fractions of shares will be recorded to three decimal places.

The net asset value of each class (expressed in the currency of denomination of the Sub-Fund) will be determined by valuing the net assets of the class and deducting the liabilities of the class, normally at midday Luxembourg time on each Valuation Date, in accordance with the Articles in the following manner:

- A. the assets of the Fund shall be deemed to include:-
  - a) all cash in hand or on deposit, including any interest accrued thereon;
  - b) all bills and demand notes and accounts receivable (including proceeds of securities sold but not delivered), except those receivable from a subsidiary of the Fund;
  - c) all bonds, time notes, shares, stock, debenture stocks, subscriptions rights, warrants, options, units/shares in UCI and other investments and securities owned or contracted for by the Fund;
  - d) all stock, stock dividends, cash dividends and cash distributions receivable by the Fund to the extent information thereon is reasonably available to the Fund (provided that the Fund may make adjustments with regard to fluctuations in the market value of securities caused by trading ex-dividends, ex-rights, or by similar practices);
  - e) all interest accrued on any interest-bearing securities owned by the Fund except to the extent that the same is included or reflected in the principal amount of such security;
  - f) the preliminary and reorganisation expenses of the Fund insofar as the same have not been written off, provided that such preliminary and re-organisation expenses may be written off directly from the capital of the Fund; and
  - g) all other assets of every kind and nature, including prepaid expenses.

The value of such assets shall be determined as follows:

- 1) the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, pre-paid expenses, cash dividends and interest declared or accrued and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Fund may consider appropriate in such case to reflect the true value thereof;
  - 2) the value of securities and/or financial derivative instruments which are quoted or dealt in on any stock exchange shall be based on the last price available prior to midday on the relevant Valuation Date;
  - 3) the value of securities and/or financial derivative instruments dealt in a Regulated Market shall be based on the last price available prior to midday on the relevant Valuation Date;
  - 4) in the event that any of the securities held in any Sub-Fund on the relevant Valuation Date are not quoted or dealt in on any stock exchange or Regulated Market or if, with respect to securities quoted or dealt in on any stock exchange or dealt in on any Regulated Market, the price as determined pursuant to sub-paragraphs 2. or 3. is not representative of the fair market value of the relevant securities, the value of such securities will be determined based on the reasonably foreseeable sales price determined prudently and in good faith;
  - 5) the financial derivative instruments which are not listed on any official stock exchange or traded on any other organized market will be valued in a reliable and verifiable manner on a daily basis and in accordance with market practice;
  - 6) units or shares in open-ended UCIs shall be valued on the basis of their last net asset value, as reported by such undertakings
- B. The liabilities of the Fund shall be deemed to include:-
- a) all loans, bills and accounts payable, except those payable to any subsidiary of the Fund;
  - b) all accrued or payable administrative expenses (including management fee and custodian fee);
  - c) all known liabilities, present and future, including all matured contractual obligations for payments of money or property, including the amount of any unpaid dividends declared by the Fund where the Valuation Date falls on the record date for determination of the person entitled thereto or is subsequent thereto;
  - d) an appropriate provision for future taxes based on capital and income to the Valuation Date, as determined from time to time by the Fund, and other reserves if any authorised and approved by the Directors; and
  - e) all other liabilities of the Fund of whatsoever kind and nature.

In determining the amount of such liabilities the Administrative Agent shall take into account all expenses payable by the Fund which shall comprise formation and reorganisation expenses, fees and expenses payable to the Directors, or Manager, Accountants, Custodian, and paying agents subscription and redemption agents and permanent representatives in places of registration, any other agent employed by the Fund, fees for legal and auditing services, promotional, printing, ongoing distribution fees, reporting and publishing expenses, including the cost of advertising or preparing and printing of prospectuses, explanatory memoranda, registration statements or annual and semi-annual reports, stock exchange listing costs and the costs of obtaining or maintaining any registration with or without authorisation from governmental or other competent authorities, taxes or charges and all other operating expenses, including the cost of buying and selling assets, interest, bank charges and brokerage, postage, telephone and telex. The Administrative Agent may calculate administrative and other expenses of a regular or recurring nature on an estimated figure for yearly or other periods in advance, and may accrue the same in equal proportions over any such period.

As a matter of practice, the Directors do not intend to charge promotional or advertising expenses to the Fund.

C. To arrive at the net asset value per Share of each class, the Articles provide, inter alia, as follows:-

There will be maintained a separate pool of assets for each Sub-Fund to which the assets and liabilities and income and expenditure attributable or allocated to such Sub-Fund will be applied or charged and the following provisions will apply thereto:-

- a) the proceeds from the issue of each Sub-Fund shall be applied in the books of the Fund to the pool of assets established for that Sub-Fund, and the assets and liabilities and income and expenditure thereto shall, subject to the provisions of the Articles, be applied to such pool;
- b) where any asset is derived from another asset, such derivative asset shall be applied in the books of the Fund to the same pool as the assets from which it was derived and, on each revaluation of any asset, the increase or diminution in value shall be applied to the relevant pool;
- c) where the Fund incurs a liability which relates to any asset of a particular pool or to any action taken in connection with an asset of a particular pool, such liability shall be allocated to the relevant pool;
- d) in the case where any asset or liability of the Fund cannot be considered as being attributable to a particular pool, such asset or liability shall be allocated to all the Sub-Funds pro rata to the Net Asset Values of the relevant Sub-Funds;
- e) upon the record date for determination of the persons entitled to any dividend declared on any Sub-Fund, the Net Asset Value of such Sub-Fund shall be reduced by the amount of such dividend declared.

For the purposes of valuation:

- 1) Shares of any Sub-Fund which are the subject of a Shareholder's request for redemption shall be treated as existing and taken into account until immediately after the close of business on the relevant Valuation Date, and from such time and until paid the redemption price thereof shall be deemed to be a liability of the Sub-Fund concerned;
- 2) all investments, cash balances and other assets of any Sub-Fund expressed in currencies other than the currency in which the net asset value per Share of the relevant Sub-Fund is calculated, shall be valued after taking into account the market rates of exchange in force at the date and time for determination of the net asset value of the relevant Sub-Fund; and
- 3) effect shall be given on any Valuation Date to any repurchases and sale of securities contracted for by the Fund prior to midday on such Valuation Date, to the extent practicable;
- 4) where the Directors are of the view that any redemption or switch which is to be effected will have the result of requiring significant sales of assets in order to provide the required liquidity the valuation may, at the discretion of the Directors, be done at the actual sale price of the underlying assets and not the last available price as provided in A2) and 3) above.

If two or more classes have been created within the same Sub-Fund, the rules set out above shall apply, as appropriate, to such classes.

D. If at any time on any Valuation Date there has been a material change in the quotations on the markets on which a substantial proportion of the investments of any Sub-Fund are dealt in or quoted, the Fund may, in order to safeguard the interests of Shareholders and the Fund, cancel that valuation and carry out a further valuation, provided that all issues, redemptions and switches as of that Valuation Date shall be carried out pursuant to such last Valuation.

If in exceptional circumstances the liquidity of any particular Sub-Fund is not sufficient to enable payment to be made within the period referred to above, such payment will be made as soon as reasonably practicable thereafter but without interest.

In that event that total requests for redemptions and switches of Shares of any class on any Valuation Date when aggregated with redemption and switching requests deferred under this paragraph exceed 10% of the total number of Shares outstanding of that class, then redemptions and switches on that Valuation Date may be reduced or deferred so as to reduce such requests to that 10% level; any requests so reduced or deferred shall be given effect in priority to subsequent requests as of the first following Valuation Date, subject to the foregoing limit.

If, as a result of such repurchase or otherwise, the capital of the Fund would be reduced below two thirds of the minimum capital provided for by Luxembourg law, the Directors are required to submit to general meeting of Shareholders a resolution to consider the dissolution of the Fund.

### **Dealing Price**

The Dealing Price for a Share of each class is calculated in accordance with the Articles by rounding the Net Asset Value per Share of each class up or down to the third decimal place. Normally, the Dealing Price per Share will be rounded up to a maximum of 0.30 % of the Net Asset



Value of that class. If the Directors expect that there will be overall net redemptions over a longer period of time, the Directors will consider to change the aforesaid pricing policy in a manner that the Dealing Price per Share will be rounded down to a maximum of 0.30% of the Net Asset Value. In any case, the rounding down will be applied if on any Dealing Day net redemptions exceed 10% of the Net Asset Value of the relevant Class. The purpose of such rounding is to cover dealing costs which normally arise, upon net subscriptions, from acquiring new investments or, upon net redemptions, the sale of investments.

## **Suspensions**

The Directors may suspend valuation of any class and the issue, repurchase, conversion or switching of the Shares of the relevant class:-

- a) during any period when any of the principal stock exchanges or markets on which any substantial portion of the investments of the relevant Sub-Fund are quoted is closed otherwise than for ordinary holiday, or during any period when dealings therein are restricted or suspended; or
- b) during the existence of any state of affairs which constitutes an emergency as a result of which disposals or valuation of the assets of that Sub-Fund would be impracticable; or
- c) during any breakdown in the means of communication normally employed in determining the price or value of any of the investments of that Sub-Fund or the current price or value on any stock exchange; or
- d) during any period when the Fund is unable to repatriate funds for the purpose of making payments on the repurchase of Shares of the relevant class or during which any transfer of fund involved in the realisation or acquisition of investments or payments due on repurchase of such Shares cannot in the opinion of the Directors be effected at normal rates of exchange; or
- e) if the Fund is being or may be wound-up on or following the date on which notice is given to the meeting of Shareholders at which a resolution to wind-up the Fund is proposed.

The Articles require that any such suspension shall be publicised by the Fund and shall be notified to Shareholders requesting repurchase or switching of their Shares.

## **MEETINGS AND REPORTS**

### **Meetings**

The Annual General Meeting of Shareholders of the Fund will be held in Luxembourg on the third Monday in January in each year at 2.30 pm (or, if such day is not a business day in Luxembourg, on the next following business day in Luxembourg).

Other general meetings of Shareholders will be held at such time and place are indicated in the notices of such meetings. Notices of general meetings and other notices will be given in accordance with Luxembourg law and will be sent to Shareholders by post at least 15 days prior to the meeting to their addresses shown in the Register of Shareholders, such notices will also be published in the

Financial Times if considered appropriate by the Directors. Notices will specify the place and time of the meetings, the conditions of admission thereto, the agenda and will refer to the requirements of Luxembourg law with regard to the necessary quorum and majorities at the meeting. The requirements as to attendance, quorum and majorities of all general meetings will be those laid down in article 67 and 67.1 of the law of 10 August 1915 (as amended) of the Grand-Duchy of Luxembourg and in the Articles.

## **Voting**

Each whole Share entitles the holder thereof to one vote at general meetings and in addition a holder of Shares of any particular Sub-Fund or class will be entitled at any separate meeting of the holders of Shares of that Sub-Fund or class to one vote for each whole Share of that Sub-Fund or class of which he is the holder. Resolutions of meetings of Shareholders will apply to the Fund as a whole and to all Shareholders in the Fund, provided that any amendment affecting the rights of the holders of the Shares of any Sub-Fund or class vis-à-vis those of any other Sub-Fund or class shall be subject further to the quorum and majority requirements referred to above in respect of each such relevant Sub-Fund or class.

## **Reports**

Financial periods of the Fund will end on 30 September each year. A full version of the Audited Annual Report together with a Notice of the Annual General Meeting will be sent to Shareholders at their addresses shown in the Register of Shareholders. Similarly, Shareholders will receive a full version of the un-audited Semi-Annual Report before 31 May each year. In addition, the Fund Annual Report containing the audited financial accounts of the Fund and of each of the Sub-Funds in respect of the proceeding financial period including a Directors Report will be made available at the Fund's registered office, at least 21 days before the Annual General Meeting. In addition un-audited Semi-Annual reports will be made available at the registered office of the Fund.

## **BOARD OF DIRECTORS OF THE FUND**

### **Chairman**

J Edwards (appointed as Chairman since 28 March 2006), Chief Executive of HBOS Europe  
Financial Service Forum 7  
D-69126 Heidelberg  
Germany

### **Directors**

- J Edwards, Chief Executive of HBOS Europe Financial Service Forum 7, D-69126 Heidelberg  
Germany

- J Elvinger, Partner, Elvinger, Hoss & Prussen, 2, Place Winston Churchill, L-2014 Luxembourg
- P Meyers, Doctor at Law, 12, rue des Roses, L-2445 Luxembourg
- S Friend, Director, CMI Asset Management (Luxembourg) S.A., 23 route d'Arlon, L-8009 Strassen, Luxembourg

- R H Mallett (appointed as Director on 19 January 2004), Clerical Medical Investment Group Limited European Branch Office, Randwycksingel 35, NL-6229 EG Maastricht, The Netherlands  
M Hamper (since 19 September 2006), Clerical Medical Europe Financial Services B.V., 23 route d'Arlon, L-8009 Strassen, Luxembourg

- E Winter (since 19 September 2006), Clerical Medical Europe Financial Services B.V., 23 route d'Arlon, L-8009 Strassen, Luxembourg

The Articles contain the following provisions relating to Directors:

i) Directors may be removed or replaced at any time by resolution of the Shareholders present at a Shareholders' meeting.

ii) There is no Share qualification for Directors.

iii) A Director must retire at the Annual General Meeting next following his seventieth birthday and at each subsequent Annual General Meeting but will be eligible for re-election at such meetings.

iv) The Directors are vested with all power to perform all acts necessary or useful for accomplishing the Fund's objectives.

v) No contact or other transactions between the Fund and any other fund or firm shall be effected or invalidated by the fact that any one or more of the Directors or Officers of the Fund is interested in, or is a director, associate, officer or employee of, that other fund or firm with which the Fund shall contact or otherwise engage in business shall not, by reason of such connection with the fund or firm, be prevented from considering and voting or acting on matters with respect to that contract or other business.

vi) If any Director or Officer of the Fund has any personal interest in any transactions of the Fund, that Director or Officer shall reveal such interest to the Directors and shall not vote on any such transaction and such transaction and the Director's or Officer's interest therein shall be reported to the next succeeding meeting of Shareholders.

However, any transaction in which any Manager or Investment Adviser of the Fund or any connected person if either of them deals with the Fund as principal shall be subject to the approval of the Directors.

The term "personal interest" does not include any relationship with or interest in any matter, position or transaction involving Clerical Medical Investment Group Limited or any subsidiary thereof or such other fund or entity as may from time to time be determined by the Directors in their absolute discretion.

vii) The Fund may indemnify any Director or Officer against expenses reasonably incurred by him in connection with any proceedings to which he may be made a party by reason of such position in the Fund or in any other fund of which the Fund is a Shareholder or creditor and from which he is not entitled to be indemnified, except in relation to matters as to which he shall be finally adjudged in such action, suit or proceedings to be liable for gross negligence or misconduct; in the event of a settlement, indemnification shall be provided only in connection with such matters covered by the

settlement as to which the Fund is advised by counsel that the foregoing right of indemnification shall not exclude other rights to which he may be entitled.

viii) At no time may a majority of the Directors be resident in the United Kingdom nor may meetings of the Directors take place in the United Kingdom; nor will a quorum be present at any such meeting if a majority of the Directors present at any such meeting are resident in the United Kingdom.

There are no existing or proposed service contracts between any of the Directors and the Fund and the Articles contain no express provision governing the remuneration (including pension or other benefits) of the Directors. The Directors will be reimbursed their out-of-pocket expenses from the Fund but, save for Mr Meyers and Mr Elvinger who will receive attendance fees, will receive no other remuneration from the Fund. Mr Elvinger is a partner in the firm of Elvinger, Hoss & Prussen whose firm has received fees in connection with the formation of the Fund.

### **Director's Interests**

Mr J Edwards, Chief Executive, is a Director of the Manager. Mr Elvinger is a Director of the Manager and a Partner in Elvinger, Hoss & Prussen, who act as legal advisers to the Fund. Mr Meyers is a Director of the Manager. Mr Friend is a Director of the Manager. Mr R H Mallett is a Director of the Manager. M Hamper is a Director of the Manager. E Winter is a Director of the Manager. Subject thereto no Director has any interest in the promotion of the Fund or in any property purchased, acquired, disposed of by or leased to, the Fund and no Director has a material interest in any transaction effected by the Fund since its incorporation which is, or was, unusual in its nature or condition or significant to the business of the Fund.

### **The Manager**

The Fund has designated CMI Asset Management (Luxembourg) S.A. as its management company to perform investment management, administration and marketing functions for the Fund.

The Manager has been permitted by the Fund to delegate certain administrative functions to specialised service providers based in Luxembourg. In that context, the Manager has delegated certain administration functions to RBC Dexia Investor Services Bank.

The Manager will monitor on a continued basis the activities of the third parties to which it has delegated functions. The agreements entered into between the Manager and the relevant third parties provide that the Manager can give at any time further instructions to such third parties, and that it can withdraw their mandate with immediate effect if this is in the interest of the Shareholders. The Manager's liability towards the Fund is not affected by the fact that it has delegated certain functions to third parties.

The Manager was incorporated as a société anonyme in Luxembourg on 22 December 1989 and has an issued share capital of EUR 4,900,000. As at 31 December 2003, its own funds amounted to EUR 3,900,000. It has been authorised as a management company under chapter 13 of the law of 20 December 2002 relating to undertakings for collective investment and, as such, provides collective portfolio management services to undertakings for collective investment.

## **The Global Distributor**

As management company designated by the Fund, CMI Asset Management (Luxembourg) S.A., acts as Global Distributor to the Fund. The Global Distributor may appoint distributors to distribute or arrange for the distribution of shares.

The Fund and/or the Global Distributor may enter into agreements with some distributors pursuant to which both the Global Distributor and the distributors agree to act as or appoint nominees for investors subscribing shares through their respective facilities. In such capacity the distributor may effect subscriptions, switches and repurchases of shares in nominee name on behalf of individual investors, and request the registration of such operations on the Register of Shareholders in such nominee name.

## **UK Representative**

The Manager has appointed Clerical Medical Financial Services Limited to act as the UK representative.

## **Irish Representative**

The Irish Representative offers facilities where:-

- the instruments constituting the Fund, the prospectus, the annual and semi-annual reports - can be examined free of charge and copies obtained if required.
- complaints can be made for forwarding to the Head Office of the Manager.

The payment of dividends, redemption or repurchase proceeds will be effected through the relevant independent agent/introducer.

## **The Custodian and the Administrative Agent**

The Custodian is responsible for the safekeeping of the Fund's assets, as outlined in the section "Charges and Expenses".

RBC Dexia Investor Services Bank S.A. is registered with the Luxembourg Company Register (RCS) under number B-47192 and has been incorporated in 1994 under the name "First European Transfer Agent". It is licensed to carry out banking activities under the terms of the Luxembourg law of 5 April 1993 on the financial services sector and specialises in custody, fund administration and related services. As of 2nd January 2006, its tangible equity amounts to over EUR 300 million.

RBC Dexia Investor Services Bank S.A. is fully owned by RBC Dexia Investor Services Limited, a company under the laws of England and Wales that is controlled by Dexia Banque Internationale à Luxembourg, société anonyme, Luxembourg, Grand Duchy of Luxembourg, and Royal Bank of Canada, Toronto, Canada.

In case of voluntary withdrawal of the Custodian or of its removal by the Fund, the Custodian must be replaced within two months. In the meantime, the Custodian shall take all necessary steps for the good preservation of the Shareholders' interests. The appointment of a new Custodian is subject to the approval of the Securities and Futures Commission.

RBC Dexia Investor Services Bank has been appointed as Administrative Agent by the Manager to provide transfer agency and fund accounting services to the Fund.

### **Material Contracts**

1. The following contracts (not being contracts in the ordinary course of business) have been entered into prior to the date of this prospectus and are, or may be material:-

- a) an Agreement between the Fund and the Manager pursuant to which the latter was designated, subject to the overall supervision of the Directors, as the Fund's management company, to manage the Fund's investments and affairs, with powers of delegation. The Agreement provides for it to continue for a fixed period of three years and thereafter unless and until terminated by either party giving to the other not less than three months' notice. The Agreement contains provisions indemnifying the Manager from liability not due to its negligence or wilful breach of duty;
- b) an Agreement, between the Fund and the Custodian pursuant to which the latter was appointed custodian of the assets of the Fund. The Agreement may be terminated by either party on giving to the other not less than ninety days notice;
- c) Agreements between the Manager, the Fund and the above named Investment Advisers pursuant to which the latter were appointed Investment Advisers to the Fund for a period of three years and thereafter unless and until terminated by either party. The Agreements contain provisions exempting the Investment Advisers from liability in the absence of their wilful misfeasance, negligence, bad faith or reckless disregard for their obligations;
- d) an Agreement between the Manager and the Administrative Agent pursuant to which the latter was appointed to provide transfer agency and fund accounting services to the Fund. The Agreement may be terminated by the Manager or by the Administrative Agent giving to the other party not less than a 6 and 12 month prior notice respectively;
- e) an Agreement between the Manager and the UK Representative pursuant to which the latter was appointed a Marketing Agent. The Agreement may be terminated by either party on giving the other not less than one month's prior written notice.

### **Reduction of Share Capital below Statutory Minimum**

In the event of the capital of the Fund being less than two-thirds of the statutory minimum as determined by Luxembourg law, the Directors are required under Luxembourg law to submit to a general meeting of Shareholders a resolution to consider the dissolution of the Fund, without quorum requirements and decided by a simple majority of Shares represented at the meeting.

### **Winding-up and Liquidation**

In the event of a dissolution of the Fund, the liquidation shall be carried out by one or several liquidators named by the meeting of Shareholders effecting such dissolution and which shall determine their powers and their compensation. The net proceeds of liquidation corresponding to

each Sub-Fund shall be distributed by the liquidators to the holders of Shares of each Sub-Fund in proportion to their holding of Shares in such Sub-Fund.

The Directors of the Fund may decide to liquidate one Sub-Fund if the net assets of such Sub-Fund fall below Euro 5,000,000 or if a change in the economical or political situation relating to the Sub-Fund concerned would justify such liquidation, subject to making appropriate provisions to meet expected liquidation expenses. The decision of the liquidation will be published by the Fund prior to the effective date of the liquidation and the publication will indicate the reasons for, and the procedures of, the liquidation operations. Unless the Directors otherwise decide in the interests of, or to keep equal treatment between, the Shareholders, the Shareholders of the Sub-Fund concerned may continue to request redemption or conversion of their Shares. Assets, which could not be distributed to their beneficiaries upon the close of the liquidation of the Sub-Fund concerned will be deposited with the custodian for a period of six months after the close of liquidation. After such time, the assets will be deposited with the Caisse de Consignation on behalf of their beneficiaries.

Under the same circumstances as provided in the preceding paragraph, the Directors may decide to close down any Sub-Fund or class by contribution into another Sub-Fund or class. In addition, such merger may be decided by the Directors if required by the interests of the Shareholders of the relevant Sub-Funds or classes. Such decision will be published in the same manner as described in the preceding paragraph and, in addition, the publication will contain information in relation to the new Sub-Fund or class. Such publication will be made one month before the date on which the merger becomes effective in order to enable Shareholders to request redemption of their Shares, free of charge, before the operation involving contribution into another Sub-Fund or class becomes effective.

The Directors may also, under the same circumstances as provided above, decide to close down one Sub-Fund or class by contribution into another collective investment undertaking governed by Part I of the 2002 Law. In addition, such merger may be decided by the Directors if required by the interests of the Shareholders of the relevant Sub-Fund or class. Such decision will be published in the same manner as described above and, in addition, the publication will contain information in relation to the other collective investment undertaking. Such publication will be made one month before the date on which the merger becomes effective in order to enable Shareholders to request redemption of their share, free of charge, before the operation involving contribution into another collective investment undertaking becomes effective. The merger arrangement will require an auditors report in a similar manner as required by Luxembourg law for the merger of commercial companies. In case of contribution to another collective investment undertaking of the mutual fund type, the merger will be binding only on Shareholders of the relevant Sub-Fund or class who will expressly agree to the merger.

In the event that the Directors determine that it is required by the interests of the Shareholders or that a change in the economical or political situation relating to the Sub-Fund concerned has occurred which would justify it, the reorganisation of a Sub-Fund, by means of a division into two or more Sub-Funds, may be decided by the Directors. Such decision will be published in the same manner as described above and, in addition, the publication will contain information in relation to the two or more new Sub-Funds. Such publication will be made one month before the date on which the reorganisation becomes effective in order to enable the Shareholders to request redemption of their Shares, free of charge before the operation involving division into two or more Sub-Funds becomes effective.

The decisions to liquidate, to merge or to reorganise a Sub-Fund or class in the circumstances and in the manner described in the four preceding paragraphs may be taken at a meeting of the Shareholders of the Sub-Fund or class to be liquidated, merged or reorganised where no quorum is required and where the decision to liquidate, merge or reorganise must be approved by Shareholders holding at least 50% of the Shares represented at the meeting.

## **The Shares**

Shares of each Sub-Fund in the Fund will be issued in registered form and will be available on a non-certificated basis and are freely transferable to persons who are not US resident and, upon issue, are entitled to participate equally in the profits and dividends of the Sub-Fund to which they relate. Subject thereto, the Shares of each Sub-Fund, which are all of no par value, carry no preferential or pre-emptive rights. All Shares must be fully paid.

## **Transfers**

The transfer of Shares may normally be effected by delivery to the Manager of an instrument of transfer in appropriate form together with the relevant certificate or certificates. Shareholders should note that class 2 Shares, class 3 Shares and class 7 Shares are only transferable to Institutional Investors and that Shares of the CMIG Sub-Funds are only transferable to companies which are members of the Clerical Medical Group. The Register of Shareholders will be held at the registered office of the Transfer Agent in Luxembourg.

## **Restrictions on Shareholdings**

The Articles provide that the Directors may impose restrictions (other than restriction on transfer) on any class of Shares (but not necessarily on all Shares within the same class) as they may think necessary to ensure that Shares are neither acquired nor held by on behalf of (a) any person in breach of the law or requirements of any country or governmental or regulatory, or (b) any person in circumstances which in the opinion of the Directors might result in the Fund incurring any liability to taxation or suffering another pecuniary disadvantages which the Fund might not otherwise have incurred or suffered. The Directors may in this connection require a Shareholder to provide such information as they may consider necessary to establish whether he is the beneficial owner of the Shares registered in his name.

If it appears to the Fund that any Shares are owned directly or beneficially by any person in breach of any law or requirement of a country or governmental or regulatory authority, or otherwise in the circumstances referred to in (b) above, the Directors may require and effect the repurchase of such shares.

## **Miscellaneous**

- i) At the date of this prospectus, the Fund has no loan capital (whether outstanding, or created but issued), term loans or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptance or acceptance credits, hire purchase commitments, mortgages, charges, guarantees or other material contingent liabilities.



- ii) The Directors are not aware of any legal or arbitration proceedings pending or threatened against the Fund which may have, or since the date of incorporation of the Fund have had, a significant effect on the financial position of the Fund.
- iii) The Fund does not have any employees or subsidiaries.
- iv) No share or loan capital of the Fund has been issued, or is proposed to be issued, fully or partly paid up otherwise than in cash.
- v) No share or loan capital of the Fund is under option or is agreed conditionally or unconditionally to be put under option.
- vi) Apart from the initial charge and other amounts payable to the Manager on the issue of Shares detailed in “Charges and Expenses” above, and the commissions payable to RBC Dexia Investor Services Bank at the date of incorporation of the Fund, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares.
- vii) The Directors estimate that the working capital of the Fund is sufficient for its needs.
- viii) The Directors are aware of the investment by Clerical Medical in Shares of the Fund. The value of shares held by Clerical Medical as of June 2005 was approximately Euro 5.97 million.
- ix) The Fund has not established a place of business in the United Kingdom.
- x) Trading in the Shares on the Luxembourg Stock Exchange will be in accordance with the Rules and Regulations of the Luxembourg Stock Exchange and subject to the payment of normal brokerage fees. A person wishing to sell his Shares, when instructing his broker, should deliver to the broker a signed Share transfer order, which is available from the Administrative Agent. A broker representing a person wishing to purchase Shares is required to check the identity and legal capacity of that purchaser, inter alia, to ensure that he is not a United States resident to and have the purchaser counter-sign the Share transfer order (which counter-signature may be effected by the broker as the purchaser’s agent). Every Wednesday the Transfer Agent will register the transfer of Shares made on the Luxembourg Stock Exchange during the preceding week and will send without delay a contract note to the purchaser’s broker and written notification to the selling broker confirming completion of the transfer. The brokers will settle bargain within three days of receipt of the contract note and/or Share transfer order and confirmation of completion.
- xi) The reporting currency of the Fund is the Euro.

### **Documents Available for Inspection**

Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered offices of the Fund, the Manager, or the UK Representative or can be obtained at no extra charge by writing to any of the relevant addresses:

- a) the Articles;
- b) the material contracts referred to above;
- c) the latest Semi-Annual Report and Annual Report of the Fund;
- d) the latest prospectus of the Fund;
- e) the latest simplified prospectuses of the Fund;
- f) details of notices published to Shareholders.

### **TERMS AND CONDITIONS OF ISSUE**

- i) Applications which do not fulfil the conditions stated in this prospectus may be rejected, and the right is, in any event, reserved to reject any application or to accept any application in part only.
- ii) If any application is not accepted in whole or is accepted in part only, or if any of the conditions referred to in paragraph i) above is not fulfilled, the application monies or, where an application is accepted only in part, the balance of the application monies, will be returned, without interest and in the currency in which payment was made, through the post at the risk of the applicant.
- iii) The right to present all cheques and drafts for payment on receipt is reserved. No contract notes will be issued or sent, and no excess application monies will be returned, pending clearance of an applicant's cheque or draft. Due completion and delivery of the application form accompanied by a cheque or draft will constitute an undertaking that the cheque will be paid on first presentation.
- iv) Applications are accepted on the basis of this prospectus and persons solely or jointly responsible for the prospectus have no liability for any other information or representation made in relation to the Fund.

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Issued by: CMI Asset Management (Luxembourg) S.A. Registered Office: 23, Route d'Arlon, L-8009 Strassen, Luxembourg. Telephone: +352 31 78 319. Facsimile: +352 31 78 31 800. Registered in Luxembourg under RC N29384.

Approved by: Clerical Medical Financial Services Limited, Narrow Plain, Bristol, BS2 0JH, United Kingdom. Telephone: +44 (0)117 9290290. Facsimile: +44 (0)1275 554202. Registered in England. Registered No. 2114901

Clerical Medical Financial Services Limited is authorised and regulated by the Financial Services Authority whose rules and regulations are made under the Financial Services and Markets Act 2000 for the protection of investors and apply only to investment business conducted in, or from, the UK.

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