

MARKS & SPENCER HIGH INCOME FUND

PROSPECTUS

29 SEPTEMBER 2016

This document contains the information the Financial Conduct Authority requires us to publish about the Marks & Spencer High Income Fund.

It is intended to provide comprehensive details to help investors make a balanced and informed decision about the merits of participating in the Fund.

The Financial Conduct Authority has made detailed rules that state exactly what we can, and cannot, include in this document. This means it contains a lot of technical information, much of which needs to be written in legal terms.

This document is important and you should read all the information contained in it carefully. You should note that there are risks associated with investments in this Fund. These are summarised in the section titled ‘Risks’ on page 27.

If you are in any doubt about its contents please telephone us on 0808 005 5555* (calls may be recorded) or contact your independent financial adviser.

***Lines are open from 8am-9pm Monday to Friday, 9am-5pm on Saturdays, 10am-4pm bank holidays (closed on Sundays, Christmas Day, Boxing Day and New Year’s Day). Please be aware that opening hours may be restricted over the Christmas period. Please contact us for details.**

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DEFINITIONS

“**Auditors**” means KPMG Audit LLP;

“**Authorised Fund Manager**” means Marks and Spencer Unit Trust Management Limited.

“**Bank**” means any UK authorised bank where we have a client money bank account to hold uninvested cash.

“**Business Day**” means any day other than a Saturday, a Sunday or a bank holiday in England and other days at the Manager’s discretion;

“**Canadian Resident**” means:

1. An individual, if

- (a)the individual’s primary principal residence is located in Canada; or
- (b)the individual is physically located in Canada at the time of the offer, sale or other relevant activity.

2. A corporation, if

- (a)the corporation’s head office or principal office is located in Canada; or
- (b)securities of the corporation that entitle the holder to elect a majority of the directors are held by Canadian Resident individuals (as described above) or by legal persons resident or otherwise located in Canada; or
- (c)the individuals that make investment decisions or provide instructions on behalf of the corporation are Canadian Resident individuals (as described above).

3. A trust, if

- (a)the principal office of the trust (if any) is located in Canada; or
- (b)the trustee, or in the case of multiple trustees, the majority of trustees, are Canadian Resident individuals (as described above) or are legal persons resident or otherwise located in Canada; or
- (c)the individuals that make investment decisions or provide instructions on behalf of the trust are Canadian Resident individuals (as described above).

4. A partnership, if

- (a)the partnership’s head office or principal office (if any) is located in Canada; or
- (b)the holders of the majority of the interests of or in the partnership are held by Canadian Residents (as described above); or
- (c)the general partner (if any) is a Canadian Resident (as described above); or
- (d)the individuals that make investment decisions or provide instructions on behalf of the partnership are Canadian Resident individuals (as described above)

“**Client Money**” means money received and held by the Manager on behalf of Unitholders of the Fund;

“**Client Money FCA Rules**” means the Client Asset Sourcebook (CASS) contained in the Financial Conduct Authority Rules.

“**COLL**” means the FCA Collective Investment Schemes Sourcebook.

“**Custodian**” means HSBC Bank plc;

“**EEA**” means European Economic Area;

“**EPM**” means efficient portfolio management as defined in the FCA Rules;

“**FCA**” means the Financial Conduct Authority, or its successor organisation.

“**FCA Rules**” means the rules of the FCA that apply to your Unit holding.

“**Fund**” means the Marks & Spencer High Income Fund;

“**Investment Adviser**” means HSBC Global Asset Management (UK) Limited;

“**ISAs**” means Individual Savings Accounts;

“Manager” means the Authorised Fund Manager, Marks and Spencer Unit Trust Management Limited;

“Register of Holders” means the register of Unitholders maintained by the Registrar;

“Registrar” means Marks and Spencer Unit Trust Management Limited;

“Regulations” means: the Financial Services and Markets Act 2000, and in relation to ISAs:

Income and Corporate Taxes Act 1988

Finance Act 1992

Taxes of Chargeable Gains Act 1992

The Individual Savings Account Regulations 1998

The HMRC Guidance Notes for ISA Managers.

“Rules” means the FCA Collective Investment Schemes Sourcebook (“COLL”).

“Specialist Investment Advisers” means HSBC Global Asset Management (USA) Inc, Insight Investment Management (Global) Limited, Columbia Threadneedle Investments LLC and HSBC Global Asset Management (USA) Inc;

“Supplementary Instruments” means Supplementary deeds to the Trust Deed;

“Trust Deed” means the Trust Deed dated 6 February 1997;

“Trustee” means State Street Trustees Limited;

“Unit” or **“Units”** means a Unit in the Fund;

“Unitholder” means the registered holder for the time being of Units including persons jointly so registered;

“UK” means United Kingdom;

“US” means the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction;

“US Law” means the laws of the United States of America (including the States and the District of Columbia), its territories, possessions and all other areas subject to its jurisdiction. US Law shall additionally include all applicable FCA Rules and regulations, as supplemented and amended from time to time, as promulgated by any US regulatory authority, including, but not limited to, the Securities and Exchange Commission and the Commodity Futures Trading Commission;

“US Person” means the following:

1. An individual who is a resident of the US under any US Law .
2. A corporation, partnership, limited liability company, collective investment vehicle, investment company, pooled account or other business, investment or legal entity:
 - a. created or organised under US law;
 - b. created (regardless of domicile of formation or organisation) principally for passive investment (e.g. as an investment company, fund or similar entity excluding employee benefit or pension plans);
 - i. and owned directly or indirectly by one or more US Persons, who hold, directly or indirectly in the aggregate 10% or greater beneficial interest, provided that any such US Person is not defined as a Qualified Eligible Person under CFTC Regulation 4.7 (a)
 - ii. where a US Person is the general partner, managing member, managing director or other position with authority to direct the entity’s activities; or
 - iii. Where the entity was formed by or for a US Person principally for the purpose of investing in securities not registered with the SEC unless such entity is comprised of Accredited Investors, as defined in Regulation D, 17 CFR 230.501(a), and no such Accredited Investors are individuals or natural persons; or
 - iv. where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by US Persons; or
 - c. that is any agency or branch of a non-US entity located in the US;
 - d. that has its principal place of business in the US;
3. A trust:
 - a. created or organized under US Law, or

- b. where, regardless of domicile of formation or organisation:
 - i. any settlor, founder, Trustee, or other person responsible in whole or in part for investment decisions for the trust is a US Person;
 - ii. the administration of the trust or its formation documents are subject to the supervision of one or more US courts; or
 - iii. the income of which is subject to US income tax regardless of source.

4. An estate of a deceased person:

- a. who was a resident of the US at the time of death or the income of which is subject to US income tax regardless of source; or

where, regardless of the deceased person's residence while alive, an executor or administrator having sole or shared investment discretion is a US Person or the estate is governed by US Law.

5. An employee benefit or pension plan that is:

- a. established and administered in accordance with US Law; or
- b. established for employees of a legal entity that is a US Person or has its principal place of business in the US.

6. A discretionary or non-discretionary or similar account (including a joint account) where:

- a. one or more beneficial owners is a US Person or held for the benefit of one or more US Persons; or
- b. the discretionary or similar account is held by a dealer or fiduciary organised in the US. The Manager may, from time to time, waive or modify the above restrictions.

Words and phrases in this document and defined in the FCA Rules (but not here) shall bear the same meaning as in the FCA Rules unless the context shall otherwise require.

"Valuation Point" means 8am on every Business Day;

1. DESCRIPTION OF THE FUND

The Fund is called the Marks & Spencer High Income Fund ("the Fund").

The Fund is an authorised unit trust scheme. Unitholders are not liable for the debts of the Fund.

The Fund is a UCITS scheme (Undertakings for Collective Investment in Transferable Securities).

The Fund is authorised by the Financial Conduct Authority ("the FCA"). It was authorised on 13 February 1997.

The base currency of the Fund is pounds sterling.

The Trustee will wind-up the Fund under the following circumstances:

- (i) If the order declaring the Fund to be an authorised unit trust scheme is revoked, or
- (ii) if the Manager or the Trustee requests the FCA to revoke the order declaring the Fund to be an authorised unit trust scheme and the FCA has agreed (provided no material change in any relevant factor occurs) that on the winding-up of the Fund, the FCA will accede to that request, or
- (iii) on the effective date of a duly approved scheme of arrangement which is to result in the Fund being left with no property.

If any of these events occur, section 6 of the FCA Rules concerning pricing and dealing will cease to apply, the Trustee shall cease the creation and cancellation of Units and the Manager will stop buying and selling Units.

In the case of a scheme of arrangement referred to in paragraph (iii) above, the Trustee will wind-up the Fund in accordance with the scheme of arrangement. In any other case, the Trustee shall, as soon as practicable after the Fund falls to be wound-up realise the assets of the Fund and, after paying or obtaining adequate provision for all liabilities properly payable and retaining provision for the costs of the winding-up distribute the proceeds to the Unitholders and the Manager proportionately to the size of their unitholdings as at the date of the relevant event leading to the winding up.

Any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the Trustee after twelve months from the date the proceeds became payable shall be paid by the Trustee into court, although the Trustee will have the right to retain any expenses incurred in making and relating to that payment.

The Trustee and one or more Unitholders may agree the requirement to realise the Fund property does not apply to that part of the property proportionate to that of those Unitholders. In that case the Trustee may distribute that part in the form of property,

after making adjustments or retaining provisions as appears to the Trustee appropriate for ensuring that those Unitholders bear a proportionate share of the liability and costs.

On completion of the winding-up, the Trustee or the Manager shall request the FCA to revoke the order of authorisation.

2. INVESTMENT OBJECTIVES AND POLICY

The Fund's objective is to provide a high level of income.

Policy: The Manager may invest in fixed and variable rate securities and equities from anywhere in the world. At any time the portfolio may contain a combination of any or all of the aforementioned securities.

The Manager's investment policy may mean that at times it is appropriate not to fully invest but to hold cash or near cash. This will only occur when the Manager reasonably regards it as necessary to enable Units to be redeemed or for the efficient management of the Fund in accordance with its objects or purpose that may reasonably be regarded as ancillary to the objects of the Fund.

Generally the Fund invests in transferable securities listed or traded on an eligible securities market with power to invest in recently issued transferable securities which are to be so listed or traded.

However, transferable securities that are not approved securities may be held within the Fund provided the total of such securities does not exceed 10% in value of the property of the Fund. This 10% limit is inclusive of recently issued securities.

The Fund may use derivative instruments (options, futures and contracts for differences) and forward transactions in a currency for the purposes of efficient portfolio management. These instruments can therefore be used to reduce risk, reduce costs, or generate additional capital or income with no, or low levels of risk.

Payments in respect of the Manager's periodic charge and other permitted charges or expenses are treated as capital expenses. This may constrain capital growth.

There are risks associated with investments in the Fund. These are summarised in the section titled 'Risks' on page 30.

Investment Strategy

The Fund aims to deliver a high level of income to investors through investment in a mix of corporate and government bonds that are issued globally. The day to day investment management has been delegated to Specialist Investment Advisors who have been chosen for their skills and to provide a blend of strategies which when mixed together are complementary.

As at the 01 June 2016 the allocations to the specialist investment advisors was as follows:

Insight Investment Management (Global) Limited 62.27% (Insight)

Columbia Threadneedle Investments, LLC 18.88% (Columbia)

HSBC Global Asset Management (USA) Inc 18.86% (HSBC)

Underlying strategy

The current investment strategy is that the Fund may invest in both corporate and government bonds which may be both high and lower grade bonds of any duration. Income is accounted for and paid on an effective yield basis rather than a coupon basis.

Columbia use a total return investment approach to provide income by investing in high yielding bonds, with the belief that a strong credit discipline balancing risk and return will lead to consistent outperformance over time.

Insight aim to provide income by investing in fixed and variable securities, focusing on sterling denominated corporate bonds from around the world.

HSBC aim to provide income by investing in emerging market bonds, quasi-sovereign bonds and in bonds issued by companies which have their registered office in emerging markets, primarily denominated in USD.

The percentages managed by each Specialist Investment adviser will fluctuate based upon market movements and the Investment Manager has discretion to adjust the asset allocation as required to enable the Fund to meet its Objective.

The Investment Manager defines a 'high level of income' as a quoted average yield of funds in its Investment Association peer group which is the Strategic Bond peer group. To obtain the latest yield of the Fund and the average yield of the peer group, please call us on 0808 005 5555.

Eligible securities and derivatives markets

Eligible securities markets are eligible for the purposes of the FCA Rules if they are a regulated market (as defined in the FCA Rules) or a market in the EEA” which is regulated, operates regularly and is open to the public or, following consultation with and notification to the Trustee, the Manager decides that market is appropriate for investment of or dealing in scheme property, it is included in a list in the Prospectus and the Trustee has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market and all reasonable steps have been taken by the Manager in deciding whether that market is eligible. The eligible securities and derivatives markets which the Investment Advisers, HSBC Global Asset Management (UK) Limited, and the Specialist Investment Advisers, Insight Investment Management (Global) Limited, Columbia Threadneedle Investments LLC and HSBC Global Asset Management (USA) Inc. may trade on for the Fund are:

United Kingdom of Great Britain and Northern Ireland	
London Stock Exchange (LSE) Alternative Investment Market (AIM) Euronext London ICAP Securities & Derivatives Exchange (ISDX) EMX Over the counter market (OTC)	
Other European Economic Area countries	
Austria	
Wiener Borse AG (Vienna Stock Exchange)	Euronext Brussels
Cyprus	
Cyprus Stock Exchange (CSE)	The Prague Stock Exchange (PSE)
Denmark	
NASDAQ OMX Copenhagen	NASDAQ OMX Tallinn
Finland	
NASDAQ OMX Helsinki	Euronext Paris
Germany	
Deutsche Borse AG Group - The Frankfurt Stock Exchange EUREX	Athens Exchange SA Group (ATHEX)
Hungary	
Budapest Stock Exchange (BSE)	NASDAQ OMX Iceland
Ireland	
The Irish Stock Exchange	Borsa Italiana (Italian Stock Exchange)
Latvia	
NASDAQ OMX Riga	NASDAQ OMX Vilnius
Luxembourg	
The Luxembourg Stock Exchange (BdL)	Malta Stock Exchange
Netherlands	
Euronext Amsterdam	Oslo Bors (OSE)
Poland	
Warsaw Stock Exchange Group	Euronext Lisbon
Romania	
Bucharest Stock Exchange (BSE)	
Slovak Republic	
Bratislava Stock Exchange (BSSE)	Ljubljana Stock Exchange (LjSE)
Spain	
Bolas y Mercados Espanoles (BME),	NASDAQ OMX Stockholm
Rest of the world	
Australia	
Australian Securities Exchange	Bolsa de Valores de Sao Paula
Canada	
TMX Group Inc - Toronto Stock Exchange (TSX)	
Channel Islands	
Channel Islands Securities Exchange	Bolsa de Comercio de Santiago
Egypt	
Egyptian Exchange (EGX)	Stock Exchange of Hong Kong (SEHK)
Indonesia	
Indonesia Stock Exchange (IDX)	Tel Aviv Stock Exchange
Japan I	
Tokyo Stock Exchange (TSE)	
Republic of Korea	
The Korea Exchange (KRX)	Kuwait Stock Exchange (KSE)
Malaysia	
Bursa Malaysia Securities & Derivatives Berhad (BMSB &	Bolsa a Mexicana de Valores
New Zealand	
	Peru

NZX Limited (NSX)	Bolsa de Valores de Lima (BVL)
Philippines	Qatar
Philippine Stock Exchange Inc (PSE)	Qatar Exchange (QE)
Russia	
MICEX-RTS	
Singapore	South Africa
Singapore Exchange Ltd (SGX)	The Johannesburg Securities
Switzerland	Thailand
SIX Swiss Exchange	The Stock Exchange of Thailand
Turkey	United Arab Emirates
Borsa Istanbul (BIST)	Dubai Financial Market (DFM)
United States of America	
NYSE Euronext Group NASDAQ OMX Group National Stock Exchange (NSX) The Chicago Stocks Exchange (CHX) CME Group Over the Counter Market (OTC)	

Borrowing powers

The Trustee may, on the instruction of the Manager and subject to the Rules, borrow money for the use of the Fund on terms that the borrowing is to be repayable out of the property of the Fund from an ‘eligible institution’ or an approved bank (as defined in the FCA Rules).

Borrowing must be on a temporary basis, must not be persistent and in any event the borrowing period must not exceed three months without the prior consent of the Trustee, which may be given only on such conditions as appear appropriate to the Trustee to ensure that the borrowing does not cease to be on a temporary basis. The Manager must ensure that borrowing does not, on any Business Day, exceed 10% in value of the property of the Fund. These borrowing restrictions do not apply to back to back borrowing for currency hedging purposes (ie borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

Restrictions

The Fund will be invested at all times to ensure that it is a qualifying investment for ISAs.

The investment objectives and policy of the Fund (and any investment guidelines set by the Manager with a view to achieving the investment objective) are subject to the limits on investment under the Trust Deed and the Rules.

The limits in investments under the Trust Deed and the Rules which apply to the Fund are summarised below:

- (a) No more than 5% in value of the property of the Fund may be invested in transferable securities or approved money market instruments, other than government and public securities, issued by any one body. As an exception to this, up to 10% in value of the property of the Fund may be invested in such securities, if the value of all such holdings does not exceed 40% of the value of the property of the Fund.
- (b) No more than 5% of the value of the property of the Fund may consist of covered bonds issued by any single body, but this limit may be increased to 10% of such value, provided that the total value of all those investments exceeding the 5% limit does not exceed 40% of the value of the property of the Fund.
- (c) Up to 35% of the property of the Fund may be invested in government and public securities (as defined by the Rules) issued by any one body. Subject to this restriction, there is no limit on the amount of the property of the Fund which may be invested in government and public securities or in any one issue.
- (d) Up to 15 % of the value of the property of Fund can consist of approved money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time, provided the instrument is:
 - 1. (i) admitted to or dealt in on an eligible market which is a regulated market;
(ii) dealt in a market in a state of the EEA which is regulated and operates regularly and is open to the public; or
(iii) admitted to or dealt in any market which the Manager after consultation and notification to the Trustee decides is appropriate; or

2. an approved money-market instrument issued or guaranteed by:

- (i) a central, regional or local authority or central bank of an EEA state, the European Central Bank, the European Union or the European Investment Bank, a non-EEA state or, in the 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 EEA states belong, or
- (ii) an establishment subject to prudential supervision in accordance with criteria defined by Community law or an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by Community law; or

3. issued by a body, any securities of which are dealt in on an eligible market.

Up to 10% of the value of the Fund may consist of money market instruments not referred to above, providing the total value of the property of the Fund held in money market instruments does not exceed 15%.

(e) The Fund must not acquire:

- (i) transferable securities (other than debt securities) which do not carry a right to vote on any matter at a general meeting of the body corporate that issued them and represent more than 10% of those securities issued by that body corporate, or
- (ii) more than 10% of the debt securities issued by any single body, or
- (iii) more than 10% of the units in a collective investment scheme, or
- (iv) more than 10% of the approved money market instruments issued by any single body.

(f) Up to 5% in value of the property of the Fund may consist of warrants, provided that warrants may only be held if it is reasonably foreseeable that the exercise of the rights conferred by the warrants will not contravene the Rules or the limits of the Fund.

(g) Securities on which any sum is unpaid may be held provided that it is reasonably foreseeable that the amount of any existing or potential call for any sum unpaid could be paid by the Fund at any time when the payment is required without contravening the Rules.

(h) Up to 10% in value of the property of the Fund may be invested in units in other collective investment schemes subject to certain conditions being met. For instance other "UCITS" schemes or collective investment schemes whose investment powers are to invest predominantly in transferable securities, which limit their own investments in collective investment schemes to 10%, which limit their use of derivatives to efficient portfolio management and their use of warrants to 5% of the value of their property. No investments may be made in other collective investment schemes managed by the Manager or an associate of the Manager.

(i) The Manager must not acquire, or cause to be acquired for the Fund, transferable securities issued by any body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of the body corporate if immediately before acquisition the aggregate of any such securities held for the Fund, taken together with any such securities already held for other authorised unit trusts of which it is also the manager, gives the Manager power significantly to influence the conduct of business of that body corporate or the acquisition gives the manager that power. The Manager is taken to have such power if it can, because of the transferable securities held for all the authorised unit trusts of which it is manager, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purposes any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

(j) No more than 20% of the value of the property of the Fund is to consist of any combination of the following:

- (i) transferable securities or approved money market instruments issued by; or
- (ii) deposits made with; or
- (iii) exposures from over the counter derivatives transactions made with a single body

(k) No more than 20% of the value of the property of the Fund is to consist of transferable securities and approved money market instruments issued by the same group.

A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund if the consent of the Trustee is obtained in writing but, in the event of consequent breach, the Manager must then take such steps as are necessary to restore compliance with the investment limits.

Derivatives transactions

The Fund may use financial derivative instruments for the purposes of efficient portfolio management (EPM) including hedging the portfolio from foreign exchange risks. Any trading in derivatives will be controlled so that it does not increase the risk profile of the Fund.

The techniques and instruments used must relate to asset classes otherwise permitted for the Fund. Permitted transactions include derivatives transactions (involving options, futures and contracts for differences), or forward transactions in a currency. A

derivatives transaction must be in an approved derivative or in certain circumstances an off-exchange option (involving an option or a contract for differences resembling an option) or a synthetic future. Approved derivatives are derivatives dealt in or traded on derivatives markets which are eligible. Eligible derivatives markets are those which the Manager, after consultation with and notification to, the Trustee, has decided are appropriate for the purpose of investment of or dealing in the property of the Fund with regard to the relevant criteria set out in the Rules and the guidance on eligible markets issued by the FCA as amended from time to time.

The eligible derivatives markets for the Fund are listed above. Derivatives or forward transactions which would or could lead to delivery of property to the Trustee may be entered into only if such property can be held by the Fund, and the Manager has taken reasonable care to determine that delivery of the property pursuant to the transaction will not lead to a breach of the Rules.

There is no limit on the amount of the property of the Fund which may be used for EPM purposes, but the transaction must be economically appropriate in that it is realised in a cost effective way for the purposes of efficient portfolio management and the exposure must be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise. For the purposes of financial derivative instruments, EPM refers to techniques and instruments which relate to transferable securities and which fulfil the following criteria:

- (a) They are economically appropriate in that they are realised in a cost effective way;
- (b) They are entered into for one or more of the following specific aims:
 - (i) reduction of risk;
 - (ii) reduction of cost;
 - (iii) generation of additional capital or income, with a level of risk that is consistent with the risk profile of the Fund. There is an acceptably low level of risk in any case where the Manager reasonably believes that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.
- (c) Where the Fund takes advantage of pricing imperfections in relation to the acquisition and disposal of rights in relation to the same or equivalent property being property, which the Fund holds or may properly hold, or
- (d) Where the Fund receives a premium for the writing of a covered call option or a covered put option (even if the benefit is obtained at the expense of the change of yet greater benefit), or
- (e) Pursuant to stocklending as permitted by the Rules referred to below.

Permitted transactions for those purposes (excluding stocklending transactions) are forward currency transactions with approved counterparties and transactions in:

- (a) Approved derivatives (that is options, futures or contracts for differences which are dealt in or traded on an eligible derivatives markets);
- (b) Off-exchange derivatives (that is futures, options or contract for differences resembling options with a counterparty falling within certain specified categories and meeting certain other criteria); or
- (c) Synthetic futures (that is derivatives transactions in the nature of composite derivatives created out of two options bought and written on the same eligible derivatives market and having certain characteristics in common).

There is no limit on the amount of the scheme property of any Fund which may be used for transactions for the purposes of EPM.

The relevant purpose must relate to property of the Fund, property (whether precisely identified or not) which is to be or is proposed to be acquired for the Fund and anticipated cash receipts of the Fund, if due to be received at some time and likely to be received within one month.

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

The use of these EPM instruments/techniques does not change the objective of the Fund or add substantial risk in comparison to the original risk policy of the Fund.

As mentioned above, a transaction must be economically appropriate in that it is realised in a cost effective way for the efficient portfolio management of the Fund. This means that, for transactions undertaken to reduce the risk or cost (or both), the transaction alone or in combination will diminish a risk or cost of a kind or level which it is sensible to reduce and, for a transaction undertaken to generate additional capital or income, so-called ‘enhancement strategies’, the Fund is certain (or barring certain events which are not reasonably foreseeable) to derive a benefit from the transaction. EPM may not include speculative transactions.

The aims of reduction of risk or cost together or separately, allow the Manager to utilise the technique of tactical asset allocation. Tactical asset allocation permits the Manager to undertake a switch in exposure by use of derivatives rather than by sale and purchase of the underlying property. Tactical asset allocation may only be used by the Fund on a temporary basis. If a transaction

relates to the acquisition or potential acquisition of transferable securities, the Manager must intend that the Fund should invest in transferable securities within a reasonable time and the Manager must thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.

Not more than 5% of the value of the scheme property of the Fund is to be directed to initial outlay in respect of over the counter transactions with any one counterparty.

With regard to cover, each transaction must be covered "individually" by property of the right kind (i.e. appropriate stock or property for exposure in terms of property; cash or "near cash" for exposure in terms of cash) and also "globally" (i.e. after providing cover for existing transactions there is adequate cover for another transaction within the property of the Fund so that there can be no gearing). Property and cash can be used only once for cover.

Any lending transaction which is a back to back currency borrowing does not require cover.

Stocklending

Stocklending is permitted when it reasonably appears to the Manager to be economically appropriate to do so with a view to generating additional income for the Fund with an acceptable degree of risk.

Such transactions must always comply with the relevant requirements of the Regulations and must also comply with the relevant requirements of the Rules. There is no limit on the value of the property of the Fund, which may be the subject of stocklending transactions. Currently the Fund does not undertake stocklending.

3. BEST EXECUTION

The Manager does not directly manage the investments held in the Fund. Therefore it does not execute, or transmit to other firms, orders to deal in financial instruments in respect of the Fund. Fund management has been delegated to our Investment Adviser HSBC Global Asset Management (UK) Limited, who have sub-delegated the fund management to other Specialist Investment Advisers (see section 12 for details). The Specialist Investment Advisers have in place an order execution policy to ensure they take all reasonable steps to ensure the best possible result when executing themselves or transmitting to other firms, orders in financial instruments on behalf of the Fund. To achieve this, the Specialist Investment Advisers will take into account the following factors: price, cost, speed, likelihood of execution and settlement, size, nature of the order and any other consideration relevant to the execution of the order. The relative importance of these factors will depend on the Fund's investment objective, investment policy and risks detailed in this prospectus and the investment management agreement with the Specialist Investment Advisers. The Specialist Investment Advisers are required to monitor the effectiveness of their order execution arrangements, correct any deficiencies, and review at least annually their order execution policy. The order execution policy of the Specialist Investment Advisers forms part of the due diligence carried out on behalf of the Manager on appointment, and on a regular basis thereafter, in respect of the Specialist Investment Advisers. Further details of the Specialist Investment Advisers' order execution policies can be obtained by calling us on 0808 005 5555 or by writing to the Manager at Kings Meadow, Chester, CH99 9UT.

4. FUND PROPERTY – EXERCISING VOTING RIGHTS

The Manager does not directly exercise voting rights in respect of Fund property. Both our Investment Adviser HSBC Global Asset Management (UK) Limited and the Specialist Investment Advisers, to whom the fund management has been delegated, have policies and procedures in place in respect of exercising voting rights in Fund property. These policies and procedures cover the monitoring of relevant corporate events, exercising voting rights in respect Fund property, and preventing and managing conflicts of interest in respect of exercising voting rights. The investment management agreement in place with each Specialist Investment Adviser gives them discretion to exercise all voting rights attached to Fund property, subject to the overall investment policy of the Fund. To view the Investment Adviser's Vote Disclosure Policy, please go to www.assetmanagement.hsbc.com/uk and choose "Investors" / "Advisers", then "Investor Support" / "Adviser Support" and then "Corporate Governance" or a copy can be obtained by calling us on 0808 005 5555 or write to the Manager at Kings Meadow, Chester, CH99 9UT.

5. TYPICAL INVESTOR PROFILE

The Fund is aimed at investors who are looking for their capital to generate income by participating in a diversified portfolio investing in stock markets around the world. Investors will be willing to invest for a period of at least 5 years and are aware that returns are not guaranteed.

6. HISTORICAL PERFORMANCE

High Income Fund	01/02/11 to 31/01/12	01/02/12 to 31/01/13	01/02/13 to 31/01/14	01/02/14 to 31/01/15	01/02/15 To 31/01/2016
* Percentage change	5.9%	11.9%	0.1%	9.3%	-4.0%

*Past performance has been updated to reflect the accounting period.
Figures are on a bid to bid basis with net income reinvested. Source: Morningstar.

This information relates to the past, and past performance is no guarantee of future performance.

7. FUND DOCUMENTATION

On request the Key Investor Information Document, Trust Deed and Supplementary Instruments, and the latest annual and half-yearly long reports, are obtainable from the offices of the Manager, free of charge, to Unitholders and to prospective purchasers of Units.

8. DISTRIBUTIONS

The accounting reference date of the Fund (the date on which the annual accounting period ends) is 31 January in each year and the half yearly ('interim') accounting period ends on 31 July in each year.

It is intended to distribute all of the income that has accrued at the interim date and it is not envisaged that the income distributed within the annual accounting period will be smoothed.

The income from your Units will be distributed on or before 31 May in each year and on or before the interim allocation dates of 31 August, 30 November, and end of February in each year.

The first income allocation after you purchase Units may include what is known as an income equalisation amount: this is an amount which reflects the accrued net income per Unit included in the price of Units purchased during the relevant accounting period. It is calculated by adding up the total income attributable to all Units sold in an accounting period during which income is earned, and dividing this sum by the number of Units sold in that accounting period. The reason for this procedure is to 'equalise' the position of investors who buy Units at different times in an accounting period, because part of what you are paying for when you buy a Unit is the next income payment. For taxation purposes this equalisation amount is treated as a capital repayment, not income.

When distribution is due the income generated by the investments will be transferred to the distribution account and allocated between accumulation and income Units as set out hereunder:

Accumulation Units. The income will be transferred to the capital property of the Fund.

Income Units. The income will be sent by crossed warrant to the first named holder on the register at the address recorded on the register, or by electronic or other means of bank transfer to the nominated bank account of the first named Unit holder.

Any distributions remaining unclaimed after six years will be transferred to and become a part of the capital property of the Fund. Thereafter neither the payee nor the holder nor any successor in title to it will have any right except as part of the capital property.

The annual and half-yearly long reports are prepared for the annual accounting period ending 31 January and half-yearly (interim) accounting period ending 31 July. Copies of the report are obtainable from the registered offices of the Manager on request. The annual long report will be available within four months of the end of the annual accounting period and the interim long report within two months of the end of the half-yearly (interim) accounting period.

The annual and half-yearly short reports are also prepared for the annual accounting period 31 January and half yearly (interim) accounting period ending 31 July. First named Unitholders will be sent the annual short report within four months of the end of the annual accounting period and the interim report within two months of the end of the half-yearly (interim) accounting period.

9. TYPE OF UNITS

Accumulation Units and income Units are offered.

Income Unit holders receive the net income generated from the investment. For accumulation Units the net income generated by the investments will accumulate in the Fund.

The nature of the right represented by a Unit is that of a beneficial interest under a trust.

Unitholders are entitled to participate in the property of the Fund and the income from that property in proportion to the number of undivided shares in the Fund represented by Units held by them. An income Unit represents one undivided share in the property of the Fund.

Each undivided share ranks pari passu with the other undivided shares in the Fund.

Units held in a stocks and shares individual savings account will be registered jointly in the name of the account Manager as the first named Unitholder and account holder as the second named Unitholder.

10. UNITHOLDER VOTING RIGHTS

A meeting of Unitholders duly convened and held may by extraordinary resolution require, authorise or approve any act, matters or document in respect of which any resolution is required or expressly contemplated by the Regulations. A meeting of Unitholders has no other powers.

Unitholders will receive notice of any meeting of Unitholders. At any meeting of Unitholders, on a show of hands every Unitholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, shall have a vote. On a poll, every Unitholder who is present or by proxy shall have one vote for every complete undivided share in the property of the Fund and a further part of one vote proportionate to any fraction of such undivided share of which he is the Unitholder. A Unitholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In the context of despatch of a notice of meeting, "Unitholders" means the persons who were entered in the Register of Holders seven days before the notice of meeting was given, but excluding the persons who are known not to be entered on the register at the date of despatch of the notice. In the context of voting, "Unitholders" means those persons who were entered on the Register of Holders seven days before the notice of meeting was given, but excluding any persons who are known not to be entered on the register at the date of the meeting.

The Manager is only entitled to count to the quorum and vote at a meeting in respect of Units which it holds on behalf of or jointly with a person who, if himself the sole registered Unitholder, would be entitled to vote and from whom it has received voting instructions.

Associates of the Manager are entitled to be counted in a quorum and, if they hold Units on behalf of or jointly with a person who would have been entitled to vote if he had been a registered Unitholder and they have received voting instructions from that person, the associate of the Manager may vote in respect of such Units pursuant to such instruction.

11. AUTHORISED FUND MANAGER

Marks and Spencer Unit Trust Management Limited ("the Manager") is the Authorised Fund Manager of the Fund.

The Manager is a limited liability company incorporated in England and Wales on 9 May 1988.

Registered office: Kings Meadow, Chester CH99 9FB.

Head office and principal place of business: Kings Meadow, Chester CH99 9UT.

Issued share capital: 3,000,000 ordinary shares of £1 each and fully paid up.

The ultimate holding company is HSBC Holdings plc whose registered and principal office is 8 Canada Square London E14 5HQ and which is incorporated in England and Wales. The company's principal business activity is to provide a comprehensive range of domestic and international banking and financial services.

The Manager is also the manager of the following authorised unit trust schemes: The Marks and Spencer Worldwide Managed Fund, The Marks and Spencer UK Selection Portfolio and Marks & Spencer UK 100 Companies Fund.

Directors:

Dame Denise Holt, Chairman and Non-Executive director of Marks & Spencer Financial Services plc and Marks and Spencer Savings and Investments Limited.

Sue Fox, director of Marks & Spencer Financial Services plc, Marks and Spencer Savings and Investments Limited and Kings Meadow Nominees Limited.

Phillip Scott, director of Marks & Spencer Financial Services plc, Marks and Spencer Savings and Investments Limited and Kings Meadow Nominees Limited.

David Stewart, Non-Executive director of Marks & Spencer Financial Services plc and Marks and Spencer Savings and Investments Limited.

Douglas Van Den Aardweg, Non-Executive director of Marks & Spencer Financial Services plc and Marks and Spencer Savings and Investments Limited.

Matthew Handley, director of Marks & Spencer Financial Services plc and Marks and Spencer Savings and Investments Limited.
James Coyle, Non-Executive director of Marks & Spencer Financial Services plc and Marks and Spencer Savings and Investments Limited.

DELEGATED FUNCTIONS

The Manager has delegated the following functions to the firms listed:

Function delegated	Name of firm(s)
Fund accounting (pricing and valuation)	HSBC Securities Services (HSBC Bank Plc)

Fund management (Investment Adviser and Specialist Investment Advisers appointed with discretion to manage fund assets within the investment guidelines established by the Manager)	HSBC Global Asset Management (UK) Limited have sub-delegated the fund management to the following specialist investment advisers: Insight Investment Management (Global) Limited, Columbia Threadneedle Investments LLC and HSBC Global Asset Management (USA) Inc.
Compliance due diligence (on appointment and on a regular basis thereafter) in respect of Specialist Investment Advisers outside the HSBC Group	HSBC Global Asset Management (UK) Limited
Performance of some administrative processes.	HSBC Global Resourcing (UK) Limited

12. TRUSTEE

State Street Trustees Limited is the Trustee of the Fund. It is a private limited company incorporated in England and Wales on 24 October 1994. The registered office of the Trustee is 20 Churchill Place, London, E14 5HJ and its head office (and the address which should be used for correspondence) is 525 Ferry Road, Edinburgh EH5 2AW. The Trustee's principal business activity is acting as trustee and depositary of collective investment schemes.

The Trustee is responsible for the safekeeping of all the scheme property of the Fund and has a duty to take reasonable care to ensure that the Fund is managed in accordance with its Trust Deed and FCA Rules. In carrying out its duties the Trustee shall act honestly, fairly, professionally, independently and solely in the interests of Unitholders.

In addition to its safekeeping role, the Trustee carries out a number of additional duties and functions, including:

- ensuring that dealing in Units is conducted in accordance with the FCA Rules, the Trust Deed and the Prospectus;
- ensuring that Units are valued in accordance with the FCA Rules, the valuation rules and procedures set out in the Trust Deed and the Prospectus;
- carrying out the instructions of the Manager unless these conflict with applicable law, the Trust Deed or the Prospectus;
- ensuring that for transactions in scheme property of a Fund, any consideration is provided to the Fund within the usual time limits applicable to the relevant market;
- ensuring that income of a Fund is applied in accordance with the FCA Rules, the Trust Deed and the Prospectus;
- ensuring the Fund is managed in accordance with its investment objective and policy and the applicable investment restrictions and borrowing limits;
- monitoring the cash flows of each Fund.

Subject to the FCA Rules, the Trustee may delegate (and authorise its delegates to sub-delegate) performance of some or all of its safe-keeping obligations to eligible custodians provided that (i) the services are not delegated with the intention of avoiding the applicable regulatory requirements (ii) there is an objective reason justifying the delegation (iii) due, skill, care and diligence is exercised in the selection and appointment of any third party to whom it delegates safe-keeping services, and it continues to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any delegate and of the arrangements of that delegate in respect of the matters delegated to it. The Trustee's responsibility for the performance of tasks delegated, and its liability for default in performance, is not affected by any delegation.

The Trustee has delegated safekeeping functions to HSBC Bank plc and HSBC Securities Services Limited as global custodian. HSBC Bank plc has further delegated safe-keeping tasks to its sub-custodians. Information about the safe-keeping functions which have been delegated and the identification of the relevant delegates and sub-delegates are contained in Appendix 1 to the Prospectus.

The Trustee provides its services under an agreement dated 14 April 2016 between the Trustee and the Manager ("the Depositary Agreement")

The Trustee is entitled to receive remuneration out of the property of the Funds for its services as set out under Remuneration of the Trustee on page 22 of this Prospectus. The Trustee is under no obligation to account to the Manager, the Fund or the Unitholders for any profits or benefits it makes or receives that are made or derived from or in connection with the dealings in Units of the Fund, any transaction in scheme property or the supply of services to the Fund.

The Depositary Agreement may be terminated on 90 days' written notice by either party, or sooner in the event of a material breach of the Depositary Agreement. The Trustee may not retire voluntarily or otherwise be replaced except upon the appointment of a new trustee.

The Trustee is indemnified under the Depositary Agreement to the extent that it is properly performing its obligations and furthermore, the Trustee is exempt from liability in certain circumstances to the extent permitted by the Act and the FCA Rules.

If there is a loss of financial instruments held in custody, the Trustee is obliged to return financial instruments of identical type or the corresponding amount to the Fund without undue delay. However, the Trustee will not be liable if it can prove that the loss of a financial instrument held in custody has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.

Aside from a loss of financial instruments in custody, the Trustee will be liable for all other losses suffered by the Fund as a result of the Trustee's negligent or intentional failure to properly fulfil its obligations or its material breach of the Depositary Agreement.

The Unitholders may invoke the liability of the Trustee (to the extent arising under regulation 15C or 15D of the Undertakings for Collective Investment in Transferable Securities Regulations 2011 (as amended)) directly or indirectly through the Manager on behalf of the Fund provided that this does not lead to a duplication of redress or to the unequal treatment of the Unitholders.

Conflicts of Interest

The Trustee is part of an international group of companies and businesses that, in the ordinary course of their business, act simultaneously for a large number of clients, as well as for their own account, which may result in actual or potential conflicts. Such conflicts of interest may arise where the Trustee or its affiliates engage in activities under the depositary agreement or under separate contractual or other arrangements. Arrangements which may give rise to conflicts of interest include:

- (i) providing nominee, administration, registrar and transfer agency, research, agent securities lending, investment management, financial advice and/or other advisory services to the Manager or the Fund;
- (ii) engaging in banking, sales and trading transactions including foreign exchange, derivative, principal lending, broking, market making or other financial transactions with the Manager or the Fund either as principal and in the interests of itself, or as an agent for other clients.

In connection with the above activities the Trustee and/or its affiliates:

- (i) will seek to profit from such activities and are entitled to receive and retain any profits or compensation in any form and are not bound to disclose to, the Fund or its Unit holders the nature or amount of any such profits or compensation including any fee, charge, commission, revenue share, spread, mark-up, mark-down, interest, rebate, discount, or other benefit received in connection with any such activities;
- (ii) may buy, sell, issue, deal with or hold, securities or other financial products or instruments either as principal acting in its own interests, or as an agent acting in the interests of its affiliates or for its other clients;
- (iii) may trade in the same or opposite direction to the transactions undertaken on behalf of the Fund or Manager, even where such trading is based upon information that is not available to the Fund or the Manager;
- (iv) may provide the same or similar services to other clients including competitors of the Fund;
- (v) may be granted creditors' rights by the Fund which it may exercise.

The Fund or the Manager on behalf of the Fund may use an affiliate of the Trustee to execute foreign exchange, spot or swap transactions for the account of the Fund. In such instances the affiliate shall be acting in a principal capacity and not as a broker, agent or fiduciary of the Fund. The affiliate will seek to profit from these transactions and is entitled to retain and not disclose any profit to the Fund or its Unitholders. The affiliate shall enter into such transactions on the terms and conditions agreed with the Fund or the Manager on behalf of the Fund.

Where cash belonging to the Fund is deposited with an affiliate being a bank, a potential conflict arises in relation to the interest (if any) which the affiliate may pay or charge to such account and the fees or other benefits which it may derive from holding such cash as banker and not as Trustee.

The Manager may also be a client or counterparty of the Trustee or its affiliates. Up-to-date information on the Trustee, its duties, any conflicts that may arise, the safe-keeping functions delegated by the Trustee, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation will be made available to Unitholders on request.

13. INVESTMENT ADVISERS

The Manager has selected as Investment Adviser to it in respect of the Fund HSBC Global Asset Management (UK) Limited who are authorised and regulated by the Financial Conduct Authority.

HSBC Global Asset Management (UK) Limited are in the same group of companies as the Manager. Its registered office is at 8 Canada Square, London EH14 5HQ. The principal activity of the investment adviser is acting as Investment Manager and Investment Adviser.

The Investment Adviser also gives investment advice to persons other than this Fund.

The investment Adviser has discretion to manage and make purchases and sales of the assets of the Fund within the investment guidelines established by the Manager, having regard to the investment policy of the Fund and the investment restrictions, efficient portfolio management and the borrowing powers of the Fund.

The Investment Adviser has been appointed under a written agreement with the Manager dated 3 August 2005. Under the agreement, the Manager pays a fee to the Investment Adviser. The agreement can be terminated by either party giving to the other notice in writing or forthwith by any party on certain events involving default, insolvency or if it is in the interest of the Unitholders.

The Investment Advisor can select Specialist Investment Advisers to manage the assets of the Fund on a day to day basis. These Advisers will be selected on both their proven skills and experience in managing funds and also their ability to continue to generate good returns having regard to the investment policy of the Fund and the investment restrictions, efficient portfolio management and the borrowing powers of the Fund.

The Investment Adviser has sub-delegated fund management to the following Specialist Investment Advisers:

Insight Investment Management (Global) Limited authorised and regulated by the Financial Conduct Authority. Registered office 160 Queen Victoria Street, London, EC4V 4LA

Columbia Threadneedle Investments LLC registered with the Securities and Exchange Commission in the USA. Registered office: 225 Franklin Street, Boston, Massachusetts 02110, USA

HSBC Global Asset Management (USA) Inc, registered with the Securities and Exchange Commission in the USA. Registered office: 452 Fifth Avenue, 7th Floor, New York, NY 10018, USA

The principal activity of each Specialist Investment Adviser is acting as investment manager and adviser and each Specialist Investment Adviser also gives investment advice to persons other than the Fund.

14. AUDITOR

The Auditors of the Fund are KPMG Audit LLP, 15 Canada Square, London, E14 5GL.

15. REGISTRAR

The Registrar is Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester CH99 9UT.

The Register of Holders and the plan register may be inspected by Unitholders during normal business hours at Kings Meadow, Chester CH99 9UT.

The Registrar is entitled to a fee for the maintenance of the register. The present charge is Nil per Unitholder per annum.

16. CONFLICTS OF INTEREST

The Manager is part of the HSBC Group of companies. The following is the HSBC Group Conflicts of Interest Policy in respect of the Fund:

The HSBC Group is a worldwide financial organization, offering a wide range of financial services to its clients. As such, it, or a company with whom it has an association (HSBC), may from time to time have interests which conflict with its clients' interests or with the duties that it owes to its clients. These include conflicts arising between the interests of HSBC, its associates and employees on the one hand and the interests of its clients on the other and also conflicts between clients themselves (including the Fund). Such conflicts may result in a restriction in trading certain securities due to relationships in other parts of HSBC or due to sensitive information to which the Manager becomes party.

HSBC has established procedures which are designed to identify and manage such conflicts. These include organisational and administrative arrangements to safeguard the interests of clients. A key element of this policy is that persons engaged in different business activities involving a conflict of interest must carry on those activities independently of one another. Where necessary,

HSBC maintains arrangements which restrict the flow of information to certain employees in order to protect its clients' interests and to prevent improper access to client information.

HSBC may also deal as Principal for its own investment account and may be matching transactions with another client. Procedures are in place in order to protect the client's interest in this instance.

In some cases, HSBC's procedures and controls may not be sufficient to ensure that a potential conflict of interest does not damage a client's interests. In these circumstances, HSBC may consider it appropriate to disclose the potential conflict to the client and obtain the client's formal consent to proceed. However, HSBC may decline to act in any circumstance where there is residual risk of damage to the interests of any client.

In managing conflicts, account is taken of the potential for the Manager or other companies within the HSBC Group ("HSBC") to be in a position where

- HSBC benefits financially, at the expense of the Fund
- HSBC has an interest in the outcome of a service, activity or transaction (provided to the Fund or another client) which is distinct from the Fund's or the interest in that outcome
- HSBC has an incentive to favour the interests of another client over the interests of the Fund
- HSBC carries on the same activities for the Fund and for another client
- HSBC receives (from a person other than the Fund) an inducement in relation to management activities provided to the Fund, other than the standard commission or fee for that service.

In particular, the Manager and other companies within the HSBC Group may, from time to time, act as investment manager or adviser to other funds or sub-funds; the interests of these funds may not always be aligned with those of the Fund. It is therefore possible that the Manager may in the course of its business have potential conflicts of interest with the Fund. The Manager will, however, have regard in such event to its obligations and fiduciary responsibilities under the Trust Deed and, in particular, to its obligation to act at all times in the best interests of the Fund and its investors, so far as is practicable having regard to its obligations to other clients. The Manager will ensure that investors are treated fairly and that such transactions are effected on terms which are not less favourable to the Fund than if the potential conflict had not existed.

If you have any further questions please call us on 0808 005 5555.

Bank Holding Company Act

HSBC Holdings plc is the parent company of a number of associates involved in the management, investment management and distribution of the Fund.

HSBC Holdings plc is regulated by the Federal Reserve in the United States as a Financial Holding Company ("FHC") under the Bank Holding Company Act (and its associated rules and regulations) (the "BHCA"). As an FHC, the activities of HSBC Holdings plc and its affiliates are subject to certain restrictions imposed by the BHCA.

Although HSBC Holdings plc does not own a majority of the Units of the Fund, its relationship with the Fund through the AFM means HSBC Holdings plc may be deemed to "control" the Company within the meaning of the BHCA.

Investors should note that the operations of the Fund, including its investments and transactions, may be restricted in order to comply with the BHCA. For example to comply with the BHCA a fund may be:

- (i) restricted in its ability to make certain investments;
- (ii) restricted in the size of certain investments;
- (iii) subject to a maximum holding period on some or all of its investments; and/or
- (iv) required to liquidate certain investments.

In addition, transactions made between the Fund, the Manager, HSBC Holdings plc and their affiliates may be restricted.

Any such actions will be executed in compliance with applicable law and in a manner consistent with the best interests of the Unitholders of each Fund. Unitholders should also refer to the "Conflicts of Interest" section above.

There can be no assurance that the bank regulatory requirements applicable to HSBC Holdings plc and/or the Fund, will not change, or that any such change will not have a material adverse effect on the investments and/or investment performance of the Fund. Subject to applicable law, HSBC Holdings plc and the AFD may in the future, undertake such actions as they deem reasonably necessary (consistent with ensuring any actions remain in the best interests of the Unitholders of the Fund) in order to reduce or eliminate the impact or applicability of any bank regulatory restrictions on the Fund.

17. PAYMENTS TO THE AUTHORISED FUND MANAGER

The Manager receives a periodic charge, calculated at the rate of 1% per annum (plus VAT if any) of the value of the property of the Fund, which accrues daily. For this purpose the assets are valued on a basis mid-way between the bid and offer valuations

of the property of the Fund at the first or only Valuation Point on the relevant day. This charge is paid from the Fund's capital property on or as soon as is practicable after the last Business Day of the calendar month.

Remuneration of the Trustee

The Trustee will be remunerated for its services by the Manager. The rate per annum in respect of the Fund was amended from 1 April 2016. the revised fee is 0.01% per annum of the Net Asset Value of the Fund, on the first £200,000,000 (as previously). After the first £200,000,000 the charge is 0.007% per annum. (a reduction). In addition, the Trustee is also entitled to be reimbursed by the Manager for expenses properly incurred by the Trustee in performing duties imposed upon it and in exercising powers conferred upon it by the FCA Rules, which include duties and powers imposed or conferred by the general law, together with any VAT payable thereon. The expenses will include, subject to the FCA Rules, charges of the Trustee's nominees and agents. The duties of the Trustee, for which reimbursement may be made, involve and include (without limitation):

- a) Delivery of stock to the Trustee or Custodian,
- b) Custody of assets,

The basis of the charge is a custody fee based on the market value of the assets and an activity fee for transaction settlements. Fixed activity fees, based on geographic spread, are charged monthly at the rates below on the movement of stocks other than corporate actions, script dividends or stock loans. The present charges are listed below.

Custody Fee		
Country	Custody Charge (basis point per annum)	Transaction Charge (GBP)
Argentina	25.00	50.00
Australia	4.00	40.00
Austria	6.00	40.00
Brazil	35.00	60.00
Canada	4.00	25.00
China	35.00	80.00
Czech Republic	15.00	40.00
Denmark	2.50	40.00
Euroclear	2.00	15.00
Finland	4.00	45.00
France	3.00	40.00
Germany	3.00	45.00
Greece	50.00	120.00
Hong Kong	6.00	50.00
Hungary	45.00	90.00
India	50.00	120.00

Indonesia	13.00	65.00
Ireland	3.00	45.00
Israel	25.00	30.00
Italy	5.00	45.00
Japan	2.00	25.00
Malaysia	8.00	75.00
Mexico	3.00	20.00
Netherlands	4.00	25.00
New Zealand	6.00	45.00
Norway	5.00	45.00
Peru	39.00	52.00
Philippines	13.00	50.00
Poland	35.00	40.00
Portugal	21.00	75.00
Singapore	7.50	75.00
South Africa	3.00	25.00
South Korea	13.00	45.00
Spain	5.00	45.00
Sweden	3.50	40.00
Switzerland	3.00	45.00
Taiwan	12.00	75.00
Thailand	7.00	50.00
Turkey	11.00	17.00
USA	1	20.00
UK - Crest	1.00	17.00
UK – Non Crest	1.00	17.00

*100 basis points equals 1%.

- c. Collection of income;
- d. Submission of tax returns;
- e. Handling of tax claims;
- f. Preparation of the Trustee's annual report; and
- g. Such other duties as the Trustee is required or empowered by law to perform.

The Custody fees are paid by the Manager of the Fund.

18. OTHER PAYMENTS OUT OF THE FUND PROPERTY

Broker's commission, fiscal charges and other disbursements which are:

- (i) necessary to be incurred in effecting transactions for the Fund,
- (ii) normally shown in contract notes, confirmation notes and difference accounts as

appropriate, may be made out of the property of the Fund.

Where there is a liability for value added or similar tax in relation to these payments this will also be paid out of the property of the Fund.

19. VALUATION OF FUND PROPERTY

The property of the Fund is valued at 8am on every Business Day (the "Valuation Point") to determine the buying and selling prices and the cancellation and creation prices. The Manager may at any time during a dealing day carry out an additional valuation of the property of the Fund if he considers it is desirable to do so.

The value of property of the Fund shall be determined in accordance with the Rules. The maximum price at which Units may be sold by the Manager is arrived at by valuing the assets of the Unit trust on the basis of the cost to the Unit trust of acquiring those assets (ie offer market prices, dealing costs, stamp duty etc), dividing this amount by the number of Units in issue and adding any Manager's initial charge. The cancellation price is arrived at by valuing the assets on the basis of the amount the Fund would receive if they were sold (eg bid market prices and dealing costs) deducting any expenses and dividing by the number of Units in issue. The Manager sets the buying and selling prices within this permitted range.

As we value the Fund at 8am, the price for many securities (e.g. on the European and American stock exchanges) is the closing price from the previous day.

The cancellation price last notified to the Trustee is available on request from the Manager.

Publication of prices

The prices of all the Funds will be published daily on the internet at marksandspencer.com/unittrusts. You can also obtain the fund prices by telephoning us on 0808 005 5555. These are previous day's prices and not the ones used for dealing on the day of publication.

20. CLIENT MONEY

The Manager is subject to the rules and guidance contained in the FCA Client Assets (CASS) Sourcebook. Part of the sourcebook provides protection for money received and held by the Manager on behalf of Unitholders in the Fund, referred to as "Client Money", should the Manager become insolvent.

The FCA Client Money Rules permit the Authorised Fund Manager to disapply the rules and guidance protecting Client Money for a limited period in specific circumstances. This is referred to as the "Delivery versus Payment" exemption.

The Manager may use the Delivery versus Payment exemption to the Client Money Rules in the following situations:

where you instruct the Manager to buy Units, the money which the Manager receives from you will be paid to the Trustee by close of business on the working day following receipt. The Manager will not treat this money as client money under the Client Money Rules. If, for any reason, the Manager continues to hold this money after this period, the Manager will treat it as client money under the Client Money Rules; and

- (i) where you instruct us to sell Units, under the Client Money Rules we have until the close of business on the working day following receipt of the money from the Trustee to pay the sales proceeds to you. The Manager is not required to treat this money

as client money under the Client Money Rules. Notwithstanding this, currently the Manager will treat any payment issued as client money in accordance with the Client Money Rules.

Where the Manager is required to hold money under the Client Money Rules:

- (i) the Bank will hold your Client Money in a trust account separate to any account used to hold money belonging to the Manager in his own right;
- (ii) the Manager will not be responsible for any loss incurred by you resulting from the acts or omissions of the Bank holding your client money unless such loss is reasonably foreseeable and is caused by our breach;
- (iii) if the Bank becomes insolvent the Manager will have a claim on behalf of you against the Bank. If, however, the Bank cannot repay all of its creditors any shortfall may have to be shared pro rata between all investors in accordance with the FCA's Client Money distribution rules contained within the FCA Rules;
- (iv) if the Manager were to become insolvent the FCA's Client Money distribution rules also apply to your Client Money;
- (v) the Manager reserves the right to stop treating money as Client Money and pay it to a registered charity of their choice:
 - (a)where there has been no movement on your holding for a period of at least six years (disregarding any payments or receipts of interest, charges or similar items); and
 - (b)where your balance is more than £25, the Manager has taken reasonable steps to trace you and return the money to you; or
 - (c)where your balance is £25 or less, the Manager has made one attempt to contact you using the most up-to-date contact details they hold for you and not received a response from you within 28 days of the communication having been made; and
- (vi) if you contact the Manager after they have paid away your Client Money balance to a registered charity, the Manager will give you a sum equal to the balance paid away.

21. SALE AND REDEMPTION OF UNITS

Investment in the Fund should be considered a medium to long term investment (ie at least five to ten years). Investors have access to their money at any time. However, if the Manager has reasonable grounds to believe that an investor is conducting short term trading for which these funds are not appropriate, the Manager reserves the right to reject an instruction, or apply the Unit price prevailing at the next but one Valuation Point, following receipt of an instruction to buy or sell Units.

Sale

You can buy Units in the Fund by telephoning our dealing desk 0808 005 5555 daily between 8am-8pm on business days. Instructions will also be taken between 9am-5pm on Saturdays or may be given in writing by completing an application form and sending it to the Manager at Kings Meadow, Chester CH99 9UT.

Either accumulation or income Units can be purchased. Certificates are not issued in respect of Units in the Fund.

You may wish to take out a regular savings plan. You can commence such a plan with an initial lump sum. Regular savings plan contributions are made by monthly Direct Debit.

You will receive a contract note following all lump sum investments into the Fund. However, when you buy Units by monthly Direct Debit you will not be sent a contract note.

A contract note will be issued no later than the next business day following the Valuation Point at which Units were purchased confirming the amount invested, the Unit price at which Units were purchased, and the number of Units acquired. If you have not already paid for the Units, settlement will be due by return of post. You will be sent full registration details and advised of the expiry of any applicable cancellation period.

The Manager reserves the right to reject any application in whole or in part. A purchase of Units in writing and/or by telephone is a legally binding contract.

Redemption

Selling your Units is equally straightforward. You can sell either by telephone on 0808 005 5555 (8am-8pm on business days, 9am-5pm on Saturdays) by writing to the Manager at Kings Meadow Chester CH99 9UT. Telephone instructions must be confirmed in writing. Within five working days of receipt of your written instructions confirming a request to sell, properly signed, the Manager will send you payment for the value of your Units.

You may sell part of your holding.

A sale of Units in writing and/or by telephone is a legally binding contract.

You will receive a contract note following a sale of Units, confirming the number of Units sold, the Unit price received for each Unit sold, and the total amount of the sale proceeds.

The manager does not currently accept sales and repurchases by way of electronic communication.

Money laundering

The Manager is required by the Rules to have in place anti-money laundering systems and controls. In order to implement these, additional information may be required from Unitholders. The Manager may at its discretion delay or refuse to carry out a transaction where this is in accordance with its anti-money laundering obligations.

Business day

A Business Day means any day other than a Saturday, a Sunday or a bank holiday in England.

The Manager reserves the right to deem a Business Day not to be a Business Day. This will normally be preceding or following a bank holiday.

Suspension of dealing

In exceptional circumstances, the Manager may if the Trustee agrees, or shall if the Trustee so requires, at any time, suspend the buying and selling of Units, if the Manager, or the Trustee in the case of a requirement by it, is of the opinion that there is good and sufficient reason to do so having regard to the interests of Unitholders. No Units can be sold or redeemed during this period. Unitholders will be notified of any decision to suspend the buying and selling of Units as soon as practicable after the suspension commences. The Manager and the Trustee will formally review the suspension of dealing at least every 28 days, and Unitholders will be kept informed regarding the suspension, and its likely duration, at marksandspencer.com/unittrusts.

Recalculation of prices

The price of the Units will be recalculated on every business day based on the value of the investments held by the Fund at 8am.

Minimum size of deals

The minimum initial lump sum purchase of Units in the Fund is £100. Following this you can make top up investments of £25.

The minimum monthly payment of a regular savings plan is £25.

In Specie issue or cancellation

If a Unitholder requests the issue or redemption of Units representing in value not less than 5% of the Fund property of the Fund the manager has the option, or the Unitholder may request, that a transfer of Fund property is made instead of payment.

Dealing Restrictions

The Manager may refuse or delay your application for the purchase of Units or your instruction for the sale of Units. In these circumstances the Manager will use reasonable endeavours to contact you personally unless it is not permitted to do so. In particular, applications to purchase Units may be refused:

- (a) if the Manager reasonably believes that you are not eligible to hold Units under the terms of the prospectus;
- (b) if the Manager reasonably considers that by accepting your instruction it may break a law, regulation, code, court order or other duty; or
- (c) if the Manager becomes aware or has reason to believe you are resident in or otherwise connected to a country into which we are not permitted to distribute or offer the Units; or
- (d) if, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a US Person, such Unitholder:
 - (i) will be restricted from making any additional investments in the Fund; and
 - (ii) as soon as practicable have its Units compulsorily redeemed by the Fund (subject to the requirements of applicable law).
- (e) if, subsequent to a Unitholder's investment in the Fund, the Unitholder becomes a Canadian Resident, such Unitholder will be restricted from making any additional investments in the Fund.

The Manager may, from time to time, waive or modify the above restrictions.

In addition, the Manager also has the right to refuse to sell Units to a prospective investor if there are reasonable grounds relating to the circumstances of the applicant. In this event the Manager will return any money sent, or the balance of such monies, at the risk of the applicant.

Units of the Fund may not be offered or sold to any US Person or Canadian Resident

22. COMPULSORY TRANSFER AND REDEMPTION

Units in the Fund may not be acquired or held by any person in circumstances (“relevant circumstances”):

- (a) which constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or
- (b) which would (or would if other Units were acquired or held in like circumstances) result in the Manager incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory).

In this connection, the Manager may (amongst other things) reject any application, sale, transfer or switching of Units.

If it comes to the attention of the Manager that any Units (“affected Units”) have been acquired or are being held directly or beneficially in any of these relevant circumstances or by virtue of which the Unitholder in question is not qualified to hold such Units or if it reasonably believes this to be the case, the Manager may give notice (an “action notice”) to the holder of the affected Units requiring the transfer of the Units to a person who is qualified or entitled to own them or may give a request in writing for the redemption or cancellation of such Units in accordance with the Rules. If the Unitholder has been served a notice and does not within thirty days after the date of such notice transfer the Units to a person qualified to own them or establish to the satisfaction of the Manager (whose judgement shall be final and binding) that he and any person on whose behalf he holds the affected Units are qualified and entitled to own them, he may be deemed upon the expiration of the thirty day period to have given a request in writing for the redemption of all the affected Units pursuant to the Rules.

A Unitholder who becomes aware that he has acquired or holds affected Units in any of these relevant circumstances, or by virtue of which he is not qualified to hold such affected Units, shall forthwith, unless he has already received an action notice, either transfer all his affected Units to a person qualified to own them or give a request in writing for the redemption of all his affected Units pursuant to the Rules.

23. FORWARD PRICING

Unitholders buy and sell at the prices calculated by reference to the next Valuation Point following receipt by the Manager of their valid instructions. This is known as ‘forward pricing’.

25. INITIAL CHARGE

The Manager’s initial charge is 0%.

26. GENERAL INFORMATION

The Prospectus, Trust Deed and Supplementary Instruments, latest key investor information documents and the latest annual and half-yearly long reports, may be inspected at, and are obtainable from Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester CH99 9UT.

Remuneration Policy

The Authorised Fund Manager has established a remuneration policy for those categories of staff within the HSBC Group, including senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Authorised Fund Manager or the Funds. The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the Authorised Fund Manager and the Funds. The remuneration policy is intended to be consistent with the obligation of the Authorised Fund Manager act in the best interest of the Funds and unitholders. The up-to-date remuneration policy, including, but not limited to, a description of how remuneration and benefits are determined and the governance arrangements for determining remuneration and benefits is available at <https://bank.marksandspencer.com/remuneration-policy>. A paper copy is available from the Authorised Fund Manager free of charge upon request

Any notice or document will be served on Unitholders by mail or other such form as may be agreed between the parties.

27. TAXATION

General

The information given in this section is based on UK law and HM Revenue and Customs practices as known at the date of this document. The rates and basis of taxation may change in the future. You should remember that the tax law applicable depends on your own personal situation and residency status. It is recommended that investors seek advice from a competent professional advisor concerning their tax position before acquiring Units in this Fund.

The Fund

As the Fund is an authorised unit trust scheme it is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within the Fund.

Corporation tax is payable by the Fund on income net of allowable management expenses. The rate of corporation tax applicable to the Fund is 20%.

Individual Unitholders

Income allocations will have had 20% income tax deducted.

Non taxpayers can reclaim the 20% tax deducted. Basic rate taxpayers will have no further tax liability. Higher rate taxpayers and additional rate taxpayers will pay further tax.

From 6 April 2016, a personal savings allowance will apply for up to £1,000 and for higher rate taxpayers the allowance is lower at £500. Additional rate taxpayers will not have a personal savings allowance.

Unitholders disposing of Units in the Fund may be liable to capital gains tax on the gain realised from that disposal if their capital gains from all sources in the tax year exceed the annual exempt amount and any available relief for losses. Capital gains tax is charged at the capital gains tax rate applicable for the tax year in which the gains are realised.

In the case of the first income allocation received in respect of a unit purchased during an accounting period, the amount representing the income equalisation included in the price of the unit is a return of capital and is not taxable in the hands of the Unitholders. This amount should be deducted from the cost of the unit in computing any capital gains realised on their disposal.

Corporate Unitholders

Interest distributions to corporate unitholders are made without deduction of tax and are treated as payments of yearly interest chargeable to corporation tax at the investing company's marginal rate for the accounting period in which the distributions are received.

A corporate investor's interest in the High Income Fund is treated as a creditor relationship subject to the loan relationship rules. These require a fair value basis of accounting to be applied. Movement in the value of the investment over an accounting period must be reflected as a credit or debit for the purpose of computing profits chargeable to corporation tax.

Non-resident individual Unitholders

Non-UK resident individuals may be able to claim a credit for UK tax deducted from interest distributions against their liability to foreign tax in accordance with the terms of any double taxation convention between the UK and the foreign country in which the individual is resident.

Alternatively non-resident individuals entitled to personal tax allowances may be able to claim a repayment of some or all of the tax deducted from interest distributions. Claims should be made to the HMRC Financial Intermediaries and Claims Office (International).

If you are not resident in the UK and have completed an HM Revenue & Customs Form R105 your interest distributions may be paid gross.

Foreign Account Tax Compliance Act (FATCA)

Sections 1471 through 1474 of the US Internal Revenue Code ('FATCA') has been introduced by the United States (US) government. Under FATCA we are required to collect and report certain information on accounts held by Specified US Persons. This includes accounts held by US citizens and US residents, certain corporations or partnerships created or organised in the United States, as well as accounts held by certain passive entities with owners ('Controlling Persons') who are US citizens or US resident persons. We may also be required to report certain information on customers or financial counterparties who do not provide us with documentation.

FATCA also imposes a 30% withholding tax on certain payments to a foreign financial institution ("FFI") if that FFI is not compliant with FATCA. The Fund is a FFI and thus, subject to FATCA.

This withholding tax applies to payments to the Fund that constitute interest, dividends and other types of income from US sources (such as dividends paid by a US corporation) and beginning on 1 January 2017, this withholding tax is extended to the proceeds received from the sale or disposition of assets that give rise to US source dividend or interest payments.

The UK has entered into an Intergovernmental Agreement (“IGA”) with the US to facilitate FATCA compliance and reporting of the required information to HMRC. Such information will be onward reported by HMRC to the US Internal Revenue Service. The Manager intends to comply with the terms of the IGA and relevant UK implementing Legislation. Therefore the Fund expects to be treated as a compliant financial institution and does not expect any FATCA withholding to apply on payments made to it.

If a Unitholder fails to provide the Fund, its agents or authorised representatives with any correct, complete and accurate information to enable the Fund to comply with the UK IGA, this may result in the compulsory redemption of Units.. Furthermore the Fund may at its discretion take appropriate action without the consent of Unitholders to provide for any measures that the Fund deems appropriate or necessary to comply with the UK IGA.

Unitholders in the Fund should consult their own tax advisors regarding FATCA with respect to their own particular circumstances. In particular, Unitholders who hold their Units through intermediaries should check the intermediaries' intention to comply with FATCA.

The Common Reporting Standard (CRS)

The CRS is similar to FATCA and is standard developed by the OECD that requires financial institutions to collect and report similar information about an account holder's tax residency outside of the US. Within the EU the CRS has been enacted through a new Directive on Administrative Co-operation (“the DAC2”) to ensure that EU law is fully aligned with the CRS. The DAC2 was brought into force as EU law as of 9 December 2014.

Under the CRS and DAC2, the tax residency of a Unitholder will need to be determined. In order to do so, a Unitholder may be asked to complete the appropriate self-certification form and return it to the Manager. Completing this form will ensure that accurate and up to date information about the tax residency of a Unitholder is being held.

The CRS does not impose a withholding tax obligation

With effect from 1 January 2016 the CRS supersedes the Regulations to enact the Agreements made between the UK and the Governments of the Isle of Man, Jersey, Guernsey and Gibraltar. Unitholders in the Fund should consult their own tax advisers regarding the application of information exchange between governments to their particular circumstances.

If you want to know more about the CRS then you can visit www.crs.hsbc.com.

The OECD has developed the rules to be used by all governments participating in the CRS and these can be found on the OECD's 'Automatic Exchange of Information' (AEOI) website, www.oecd.org/tax/automatic-exchange/.

If you have any questions on how to define your tax residency status, please visit the OECD website, www.oecd.org/tax/automatic-exchange/ or speak to your tax advisor as we are not allowed to give tax advice.

EU Savings Directive

With the introduction of DAC2, the EU Savings Directive 2003/48/EC (“EUSD”) was repealed on the 10th November 2015 by Directive 2015/2060/EU and brought into force on 8 December 2015. The repeal applies to all EU Member States from 1 January 2016 with the exception of Austria, where the repealing Directive will be effective from 1 January 2017.

ISAs

The Units are qualifying investments for inclusion in an ISA.

28. COMPLAINTS AND COMPENSATION

If you have a complaint please write in the first instance to the Manager at the address shown below. If the Manager is unable to resolve your complaint you may also write directly to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR or telephone them on 0800 0234567 calls to this number are now free on mobile phones and landlines, or 0300 123 9 123 calls to this number cost no more than calls to 01 and 02 numbers.

If the Manager cannot meet their financial obligations to you, you may be entitled to compensation under the Investors Compensation Scheme (FSCS). Further details are available from the Manager or you may also write directly to Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London, EC3A 7QU, or refer to the FSCS website www.fscs.org.uk or call the FSCS on 0800 678 1100 or 020 741 4100.

All clients are classified as retail customers. Certain clients who would otherwise be an eligible counterparty or a professional client may not necessarily have rights under the Financial Ombudsman Service or the compensation scheme.

29. CHANGES

Fundamental changes to the Fund (as defined in the Rules) will not be made without prior approval by a meeting of Unitholders.

Significant changes to the Fund (as defined in the Rules) will not be made without giving 60 days' notice in writing to Unitholders.

Notifiable changes to the Fund (as defined in the Rules) will be advised to Unitholders in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the Fund.

30. RISKS

The following are important warnings and potential investors should consider the following risk factors before investing in the Fund.

The Fund is exposed to market price fluctuations. This risk is managed by adherence to the investment guidelines and to the investment and borrowing powers set out in the Trust Deed and Prospectus to reduce excessive exposure to any particular type of security or issuer.

General

There are inherent risks in investing in securities markets. Security prices are subject to market fluctuations and can move irrationally and be unpredictably affected by many and various factors including political and economic events and market rumours.

There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may go down as well as up and Unitholders may receive back less than the original amount invested.

There is no guarantee that the investment objective of the Fund will be achieved.

It is important to note that past performance cannot be regarded as an indication of future performance. Please remember that inflation will reduce what you can buy in the future with your investment.

The Manager will monitor the management of the Fund to ensure the risks published remain relevant and that any change to the risk exposure is communicated to the Unitholders.

The regulatory and taxation regime under which the Fund operates may change in the future.

Liquidity risk

Liquidity is a measure of how easily an investment can be converted to cash without a loss of capital and/or income in the process. The value of assets may be significantly impacted by liquidity risk during adverse market conditions.

Operational risk

The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators.

Efficient Portfolio Management (EPM) and Counterparty Risk

The Fund will be subject to the risk of the inability of any counterparty to perform its contractual obligations either by failing to pay or failing to deliver securities. If a counterparty defaults, the relevant Fund may suffer losses as a result.

The Fund may use EPM, however there is no guarantee that the use of EPM will result in a positive effect for any Fund and its investors and may result in losses.

Where a Fund enters into stocklending transactions, there is no counterparty risk as the Fund is indemnified. Any government securities are guaranteed by the government, or a government department or agency of the country concerned.

There is no guarantee that any Fund will achieve the objective for which it entered into a transaction in relation to EPM. Stocklending transactions may, in the event of a default by the counterparty, result in the securities lent being recovered late or only in part. Where stocks are lent, collateral is received in return and will be held by the Trustee.

Fixed Income Securities

If yields on fixed income securities rise then the capital value of the Fund may decrease.

Interest rate risk

As interest rates rise debt securities will fall in value. The value of debt securities is inversely proportional to interest rate movements.

Credit risk

Issuers of debt securities may fail to meet their regular interest and/or capital repayment obligations. All credit instruments therefore have potential for default. Higher yielding securities are more likely to default.

Currency Exchange Rates

Investments for the Fund may be made in assets denominated in currencies other than the base currency and exchange rate movements may affect the value of an investment favourably or unfavourably, separately from gains or losses otherwise made by such investments.

Smaller Companies

Where the Fund holds investments in smaller companies, it should be noted that by their nature these companies are generally new to the market and may therefore be subject to significant price movements. They may also be difficult for the Investment adviser to buy and sell.

Derivatives

The Fund may hold derivative financial instruments for the purposes of EPM and these may involve a high degree of financial risk. There is a risk that a small movement in the price of the underlying security, or benchmark, may result in a disproportionately large movement (favourable or unfavourable) in the price of the derivative instrument; the risk of default by a counterparty and the risk that transactions may not be liquid.

It is envisaged that the use of such instruments will not affect the overall risk profile of the Fund.

Investing in Europe

Where the Fund invests in a European country which has the Euro as its local currency, there is a risk that that country could cease using the Euro in the event that there is a collapse of the European monetary union, in which case such countries may revert back to their former (or another) currency. This could lead to additional performance, legal and operational risks to the Fund and may ultimately negatively impact the value of the Fund. The performance and value of the Fund may potentially be adversely affected by any or all of the above factors, or there may be unintended consequences in addition to the above arising from the potential European crisis that adversely affect the performance and value of the Fund.

Emerging Markets

Where the Fund invests in some overseas markets these investments may carry risks associated with failed or delayed settlement of market transactions and with the registration and custody of securities.

Investment in emerging markets may involve a higher risk than those inherent in established markets.

Investors should consider whether or not investment in such Fund is either suitable for, or should constitute a substantial part of, a prudent investor's portfolio.

Companies in emerging markets may not be subject:

- (a) to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;
- (b) to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

Accordingly, certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

Restrictions on foreign investment in emerging markets may preclude investment in certain securities by the Fund and, as a result, limit investment opportunities for the Fund. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.

The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more developed markets, which may result in delays in realising investments.

Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time the ACD may experience more difficulty in purchasing or selling holdings of securities than it would in a more developed market.

Synthetic Risk and Reward Indicator (SRRI)

The SRRI rating is based on price volatility over the last five years and is an indicator of absolute risk. An SRRI is scored on a scale of 1 to 7. A Fund that scores an SRRI at the lower end of the scale would typically mean lower risk and lower returns, whereas a Fund that scores an SRRI at the higher end of the scale would typically mean a higher risk and higher returns. Historical data may not be a reliable indication for the future.

The rating is not guaranteed to remain unchanged and should the situation arise where the SRRI score would change through the investment adviser deciding to make direct or indirect investment in other Funds and markets, prior to making any change, the Manager and Trustee shall determine whether the change would be 'Fundamental' or 'significant', as defined in the FCA Rules. A significant change will require the Manager to contact the Unitholders on the Register a minimum of 60 days prior to making the change, whereas a Fundamental change will require the prior approval of Unitholders at a General Meeting.

Where this occurs through circumstances outside of the investment adviser or the Manager's control, for example through movement in market volatility, the Manager will notify you of the change in the Fund's annual accounts.

Operational risk

The main risks are related to systems and process failures. Investment processes are overseen by independent risk functions which are subject to independent audit and supervised by regulators.

Suspension of Dealings

In certain circumstances the right to redeem Units may be suspended (see "Suspension of Dealing" on page 23).

Charges to Capital

As charges are taken from capital, this may limit the potential for capital growth and there could be periods of time when these charges will be greater than the growth of the Fund.

Cancellation Rights

If you apply to invest in the Fund following investment advice from a financial adviser, you will have the right to cancel your application. If you exercise your right to cancel, the amount returned may be less than the amount you invested, if there has been a downward movement in the stock market from the date of investment to the date your instruction to cancel was received.

31. OTHER MATTERS

Other than already disclosed in this document the Manager is not aware of any possible fees or expenses that may become payable by either the Fund or a Unitholder.

The Manager is under no obligation to account to the Trustee or to Unitholders for any profit made on the issue of Units or on the reissue or cancellation of Units which it has redeemed. The Manager does not seek to make a profit by holding Units as principle, rather its policy is to hold sufficient Units to meet the regulatory requirement for the adequate controls over the issue and cancellation of Units.

The Manager, Trustee, Custodian and any "affected person" are not liable to account to the Unitholders of the Fund for any profits or benefits it makes or receives that are derived from or in connection with dealings in Units; any transaction in scheme property; and the supply of services to the Fund.

Any person relying on this prospectus which was current at the date shown, should check with the Manager that this document is the most current version and that no revisions or corrections have been made. This prospectus is intended to provide comprehensive details to enable investors to make a balanced and informed decision about the merits of participating in the Fund.

Marks and Spencer Unit Trust Management Limited, Kings Meadow, Chester Business Park, Chester CH99 9UT, Telephone 0808 005 [5555. Website .marksandspencer.com/bank](http://marksandspencer.com/bank).

The address of the Financial Conduct Authority, is 25 The North Colonnade, Canary Wharf, London E14 5HS Telephone 020 7066 1000

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Appendix 1:

The Trustee has delegated those safekeeping duties set out in Article 22(5)(a) of the UCITS Directive to HSBC Bank plc with registered office at 8 Canada Square, London E14 5HQ, as its global sub-custodian.

HSBC Bank plc as global sub-custodian has appointed local sub-custodians as listed below, as at the date of this prospectus. This list is current as at the date of this Prospectus, more up-to-date information (if any) is available from the Manager on request.

MARKET	SUB-CUSTODIAN
ARGENTINA	HSBC ARGENTINA SA
AUSTRALIA	HSBC BANK AUSTRALIA LIMITED
AUSTRIA	UNICREDIT BANK AUSTRIA AG
BAHRAIN	HSBC BANK MIDDLE EAST LIMITED, BAHRAIN BRANCH
BANGLADESH	THE HONGKONG & SHANGHAI BANKING CORPORATION
BELGIUM (LOCAL CUSTODY)	BNP PARIBAS SECURITIES SERVICES
BERMUDA	HSBC BANK BERMUDA LIMITED
BOSNIA & HERZEGOVINA	UNICREDIT BANK D.D
BOTSWANA	STANDARD CHARTERED BANK BOTSWANA LIMITED
BRAZIL	HSBC CORRETORA DE TITULOS E VALORES MOBILIARIOS SA
BULGARIA	UNICREDIT BANK BULGARIA
CANADA	ROYAL BANK OF CANADA
CHILE	BANCO SANTANDER CHILE
CHINA (SHANGHAI)	HSBC BANK (CHINA) COMPANY LIMITED
CHINA (SHENZEN)	HSBC BANK (CHINA) COMPANY LIMITED
COLOMBIA	CORPBANCA INVESTMENT TRUST COLOMBIA SA
CROATIA	PRIVENDA BANKA ZAGREB
CYPRUS	HSBC BANK PLC
CZECH REPUBLIC	UNICREDIT BANK CZECH REPUBLIC, AND SLOVAKIA A.S
CLIENT AND PROPRIETARY ASSETS ARE SEGREGATED	
DENMARK	SKANDINAViska ENSKILDA BANKEN
EGYPT	HSBC BANK EGYPT SAE
ESTONIA	AS SEB PANK
FINLAND	SKANDINAViska ENSKILDA BANKEN
FRANCE	CAECIS BANK
GERMANY	HSBC TRINKAUS & BURKHARDT
GHANA	STANDARD CHARTERED BANK GHANA LIMITED
GREECE	HSBC BANK PLC
HONG KONG – SPECIAL ADMINISTRATIVE REGION	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
HUNGARY	UNICREDIT BANK HUNGARY ZRT
INDIA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
INDONESIA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
IRELAND PLEASE REFER TO 'UNITED KINGDOM AND IRELAND'	
ISRAEL	BANK LEUMI LE-ISRAEL BM
ITALY	BNP PARIBAS SECURITIES SERVICES, MILAN BRANCH
JAPAN	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
JORDAN	BANK OF JORDAN
KAZAKHSTAN	CJSC CITIBANK KAZAKHSTAN
KENYA	STANDARD CHARTERED BANK KENYA
KUWAIT	HSBC BANK MIDDLE EAST LIMITED, KUWAIT BRANCH
LATVIA	AS SEB BANKA
LEBANON	HSBC BANK MIDDLE EAST LIMITED
LITHUANIA	AB SEB BANKAS
MALAWI	STANDARD CHARTERED BANK (MAURITIUS) LIMITED
MALAYSIA	HSBC BANK MALAYSIA BERHAD

MAURITIUS	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
MEXICO	HSBC MEXICO, SA
MOROCCO	CITIBANK MOROCCO
NAMIBIA	STANDARD BANK NAMIBIA LIMITED
NETHERLANDS	BNP PARIBAS SECURITIES SERVICES
NEW ZEALAND	THE HONGKONG SHANGHAI BANKING CORPORATION LIMITED
NIGERIA	STANDARD BANK GROUP LIMITED
NORWAY	SKANDINAViska ENSKILDA BANKEN
OMAN	HSBC BANK OMAN S.A.O.G
PAKISTAN	CITIBANK NA
PALESTINE	HSBC MIDDLE EAST LIMITED
PERU	CITIBANK DEL PERU
PHILIPPINES	THE HONGKONG SHANGHAI BANKING CORPORATION LIMITED
POLAND	BANK POLSKA KASA OPIEKA SA
PORTUGAL	BNP PARIBAS SECURITIES SERVICES
QATAR	HSBC BANK MIDDLE EAST LIMITED, QATAR BRANCH
ROMANIA	CITIBANK EUROPE PLC DUBLIN, ROMANIA BRANCH
RUSSIA	JOINT STOCK COMPANY COMMERCIAL BANK CITIBANK (AO CITIBANK)
SAUDI ARABIA	HSBC SAUDI ARABIA LIMITED
SERBIA	UNICREDIT BANK SERBIA JSC
SINGAPORE	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
SLOVAK REPUBLIC	CESKOSLOVENSKA OBCHODNA BANKA A.S
SLOVENIA	UNICREDIT BANKA SLOVENIJA DD
SOUTH AFRICA	STANDARD BANK OF SOUTH AFRICA LTD
SOUTH KOREA	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
SPAIN	BNP PARIBAS SECURITIES SERVICES
SRI LANKA	THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
SWEDEN	SKANDINAViska ENSKILDA BANKEN
SWITZERLAND	CREDIT SUISSE
TAIWAN	HSBC (TAIWAN) LIMITED
TANZANIA	STANDARD CHARTERED BANK (MAURITIUS) LTD
THAILAND	THE HONGKONG & SHANGHAI BANKING CORPORATION LIMITED
TUNISIA	BANQUE INTERNATIONALE ARABE DE TUNISIE
TURKEY	HSBC BANK AS
UGANDA	STANDARD CHARTERED BANK UGANDA LIMITED
UAE	HSBC BANK MIDDLE EAST LIMITED
UNITED KINGDOM & IRELAND	HSBC BANK PLC
UNITED STATES OF AMERICA	BROWN BROTHERS HARRIMAN & CO
VIETNAM	HSBC (VIETNAM) LTD
ZAMBIA	STANDARD CHARTERED BANK ZAMBIA LIMITED
ZIMBABWE	STANDARD BANK OF SOUTH AFRICA LIMITED