

HSBC Specialist Funds Limited

Prospectus

21 October 2016

HSBC Specialist Funds Limited

Prospectus

This document is important:

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

This document may only be issued with one or more Supplement(s) each containing specific information relating to a Fund established and maintained by HSBC Specialist Funds Limited (the “Company”) in connection with one or more Classes of Shares created for issue by the Company.

The distribution of this document and the offering of Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required by the Company to inform themselves about, and to observe, such restrictions. This document does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Shares are offered on the basis of the information and representations contained in this document and any further information given or representations made by any person may not be relied upon as having been authorised by the Company or its Directors. Neither the delivery of this document nor the allotment or issue of Shares shall under any circumstances create any implication that the information given in this document is correct as of any time subsequent to the date of this document.

The Company has been authorised as a Standard Fund pursuant to the Investment Funds Act 2006 (the “Act”). As such, the Company is subject to regulation and supervision as provided for in the Act. However, the Company should be viewed as an investment suitable only for investors who can fully evaluate and bear the risks involved.

Permission under the *Exchange Control Act 1972* (and Regulations made thereunder) has been obtained from the Bermuda Monetary Authority (the “BMA”) for the issue of up to 9,999,900 Shares of US\$0.01 par value each. Approvals or permissions received from the BMA do not constitute a guarantee by the BMA as to the performance of the investment fund or creditworthiness of the Company. Furthermore, in giving such approvals or permission, the Authority shall not be liable for the performance or default of the Company or for the correctness of any opinions or statements expressed. In addition, a copy of this document has been delivered to the Registrar of Companies in Bermuda for filing pursuant to *the Companies Act 1981* of Bermuda. In accepting this document for filing, the Registrar of Companies in Bermuda accepts no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed with regard to them.

The Shares, issued or to be issued, have been or will be listed on The Bermuda Stock Exchange. It is not anticipated, at the time, that the Shares will be listed on any other stock exchange.

This document includes particulars given in compliance with the Listing Regulations of The Bermuda Stock Exchange for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bermuda Stock Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

RESTRICTIONS ON OFFERS AND SALES TO U.S. PERSONS

The Shares have not been registered under any United States securities laws and, except in a transaction which does not violate the United States securities laws, may not be directly or indirectly offered or sold in the United States of America, or any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a U.S. Person. For the purpose of this restriction a U.S. Person is as defined below.

RESTRICTIONS ON OFFERS AND SALES TO CANADIAN RESIDENTS

The Shares described in this prospectus may only be distributed in Canada through HSBC Global Asset Management (Canada) Limited, and this prospectus may not be used to solicit, and will not constitute a solicitation of, an offer to buy Shares in Canada unless such solicitation is made by HSBC Global Asset Management (Canada) Limited. A distribution or solicitation may be deemed to occur in Canada where a distribution or solicitation is made to a person (including an individual, corporation, trust, partnership or other entity, or other legal person) resident or otherwise located in Canada at the applicable time. For the purpose of this restriction, a Canadian resident is as defined below.

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

Shareholders are required to notify the Administrator, HSBC Securities Services (Bermuda) Limited, immediately in the event that they hold Shares which might result in the Company incurring any liability to taxation or suffering any other pecuniary or commercial disadvantage which the Company might not otherwise have incurred or suffered. Where the Directors become aware that any Shares are directly or beneficially owned by any person in breach of the above restrictions, they may give notice directing the shareholder to transfer his Shares to a person qualified to own such Shares or to make a request for the redemption of the Shares, in default of which, the shareholder shall, on

the expiration of 30 days from the giving of such notice, be deemed to have given a request in writing for the redemption of all such Shares.

The Company is not a recognised collective investment scheme under any United Kingdom financial services laws and, as such, Shares of the Company may not be offered or sold in the United Kingdom by means of this document except to persons authorised to carry on investment business under such laws, persons whose ordinary business involves the acquisition or disposal of investments similar to those of the Company and otherwise persons permitted to receive this document under such laws.

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Distribution of this document is not authorised unless it is accompanied by a copy of the latest audited financial statements of the Company and the latest semi-annual financial statements, if any, all of which form part of the Prospectus.

HSBC Bank Bermuda Limited funds are offered by Prospectus only in those jurisdictions where they are permitted by law. Investors should be aware that as performance returns are affected by market fluctuations, past performance may not be indicative of future results. Additionally, investors should note that the use of derivatives and investments involving a currency other than their own will create foreign exchange exposure, which involves special risks. Investors should consider whether or not they can assume these risks. Additionally, investors should undertake their own professional tax advice.

The funds are managed by HSBC Global Asset Management (Bermuda) Limited (“AMBM”) of 6 Front Street, Hamilton, Bermuda, a wholly owned subsidiary of HSBC Bank Bermuda Limited (the “Bank”), which is a member of the HSBC Group of companies. Individuals wishing to obtain a copy of the terms and conditions as outlined in the Prospectus can contact us at this address. Both AMBM and the Bank are licensed to conduct investment business by the BMA.

1.0 Directory

1.1 Directors & Officers

L. Anthony Joaquin (President)
Retired Managing Partner
Ernst & Young
“Flamingo Cliff”, 8 St Patrick’s Road
Smiths FL 05, Bermuda

Faith A. Outerbridge (Vice President)
Head of Global Asset Management Bermuda
HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11, Bermuda

Anthony T. Riker
Vice President and Head of Middle Office, Commercial Banking
HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11, Bermuda

Julie E. McLean
Director
Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

1.2 Secretary & Registered Office

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11, Bermuda

1.3 Manager

HSBC Global Asset Management (Bermuda) Limited
6 Front Street
Hamilton HM 11, Bermuda

1.4 Banker

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM 11, Bermuda

1.5 Custodian

HSBC Institutional Trust Services (Bermuda) Limited
6 Front Street
Hamilton HM 11, Bermuda

1.6 Administrator

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11, Bermuda
Telephone: + 441 299 6900
Facsimile: + 441 299 6061
Email: ifs.investor.services@us.hsbc.com

1.7 Auditors

KPMG Audit Limited
Crown House
4 Par-La-Ville Road
Hamilton HM 11 Bermuda

1.8 Legal Advisers

Conyers Dill & Pearman Limited
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

1.9 Bermuda Stock Exchange Listing Sponsor

Cohort Limited
Cedar House, 5th Floor
41 Cedar Avenue
Hamilton HM 12, Bermuda

2.0 Summary

2.1 Offers

9,999,900 Shares of various classes with a par value of US\$0.01 each (the “Shares”).

HSBC Specialist Funds Limited (the “Company”), has been incorporated in Bermuda as an exempted mutual fund company to carry on the business of a mutual fund company and, as such, has the power to issue and redeem its Shares at their Net Asset Value as calculated in the manner described herein. The Shares of the Company may be divided into several Classes one or more of which will be related to a Fund within the Company, the details of which are set out in the Supplement(s) enclosed with this Prospectus. Each Fund will have its own specific investment policy. Additional Classes of Shares may also be created from time to time at the discretion of the Directors.

In order to give effect to the various rights and privileges, fee structure and other terms attaching to each Class of Shares, each Fund’s assets and liabilities will be segregated into separate Class Funds. Proceeds from the issuance of Shares of a particular Class will be applied in the books of the Company to the applicable Class Fund within each Fund.

2.2 Investment Objective

Each Fund will have its own objectives and policies, the details of which are or will be set out in the Supplement(s) enclosed with this Prospectus.

2.3 Issue of Shares

Shares of one or more Classes shall be offered pursuant to the provisions of the particular Supplement that applies to the relevant Fund. The purchase price for the Shares of each Class is payable in cleared funds, in full, by the close of the initial offering period. Following the initial offering period, the Shares will be available for subscription pursuant to this Prospectus and the relevant Supplement on each Dealing Day. Shares will be issued at a Subscription Price based upon the Net Asset Value per Share of the relevant Class as of the immediately preceding Valuation Day. Where at the time of the application for Shares, there are no Shares of the relevant Class in issue, the Subscription Price will be such sum as the Directors shall determine. A placing fee of up to five percent of the aggregate subscription amount is payable on subscription. This fee may be altered or waived at the discretion of the Manager. The Subscription Price together with the placing fee is payable in cleared funds, in full, on application. The minimum initial subscription and the minimum for subsequent subscriptions in any Class of Shares is set out in the particular Supplement for each Fund. The minimum initial subscription amount in any Class of Shares is hereinafter referred to as the “Minimum Holding”.

Investors must meet the Company’s suitability and eligibility criteria as may be determined by the Manager from time to time and all subscriptions are subject to rejection or acceptance in whole or in part by the Manager, in its sole discretion, even if such person meets such suitability or eligibility requirements.

2.4 Transfer of Shares

Shares in the Company are transferable by instrument in writing signed by the transferor provided that it would not result in either the transferor or the transferee being registered as the holder of Shares of any Class having a value of less than the Minimum Holding, subject to the Manager's sole and absolute discretion in any particular case or generally, of the relevant Class of Shares.

2.5 Conversion of Shares (Switching)

Shares of any Class in any Fund can be converted to Shares of any Class in any other Fund on any Dealing Day. The price at which Shares are so converted is based upon the Net Asset Value per Share of the Class then held (less a conversion charge) and the Net Asset Value per Share of the Class into which the holder is converting.

2.6 Redemption of Shares

Shares are redeemable at the option of the holder on any Dealing Day at a Redemption Price based upon the Net Asset Value per Share of the relevant Class as of the immediately preceding Valuation Day. Redemption of part of a holding of Shares is permitted provided it would not result in a shareholder remaining registered as a holder of Shares of any Class having a value of less than the amount set out in the particular Supplement for each Fund.

2.7 Compulsory Redemption

Shares are subject to compulsory redemption at any time for any reason, in the sole and absolute discretion of the Directors and upon not less than 30 days written notice to shareholders of the Company.

2.8 Dividend Policy

The dividend policy for each Fund is set out in the Supplement(s) enclosed with this Prospectus.

The above details are in summary form only and must be read in conjunction with the detailed information in this prospectus.

3.0 Definitions

“Administrator” means HSBC Securities Services (Bermuda) Limited.

“Banker” means HSBC Bank Bermuda Limited.

“Business Day” means a day on which banks are open for business in Bermuda.

“Bye-laws” means the Bye-laws of the Company.

“Canadian Resident” means:

1. An individual, if
 - i. the individual’s primary principal residence is located in Canada; or
 - ii. the individual is physically located in Canada at the time of the offer, sale or other relevant activity.
2. A corporation, if
 - i. the corporation’s head office or principal office is located in Canada; or
 - ii. 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
 - iii. 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
 - i. the principal office of the trust (if any) is located in Canada; or
 - ii. 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
 - iii. 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
 - i. the partnership’s head office or principal office (if any) is located in Canada; or

- ii. the holders of the majority of the interests of or in the partnership are held by Canadian Residents (as described above); or
- iii. the general partner (if any) is a Canadian Resident (as described above); or
- iv. the individuals that make investment decisions or provide instructions on behalf of the partnership are Canadian Resident individuals (as described above).

“Class” means a Class of Shares in the Company, one or more of which participates in a separate portfolio of assets.

“Class Fund” means a fund established and maintained by the Company in connection with each Class of Shares within a Fund created for issue and within which all assets and liabilities attributable to the relevant Class of Shares shall be held.

“Custodian” means HSBC Institutional Trust Services (Bermuda) Limited

“Dealing Day” means the first Business Day in each month and/or such other day or days as the Directors may determine with respect to any Class of Shares.

“Director” means a Director of the Company or any duly authorised committee thereof.

“Fund” means a segregated fund established and maintained by the Company in connection with one or more Classes of Shares created for issue and within which a separate portfolio of all assets and liabilities attributable to the holders of the relevant Class or Classes of Shares shall be held.

“Managed Class Fund” means a Class Fund established or designated in accordance with the bye-Laws as a managed Class Fund all or a portion of the assets of which may be applied in the books of the Company to the credit of another Class Fund and, except where the context otherwise requires, references to Class Fund include references to a Managed Class Fund;

“Manager” means HSBC Global Asset Management (Bermuda) Limited

“Net Asset Value” means the Net Asset Value of the Fund, the Net Asset Value of the Class Fund or the Net Asset Value per Share, as appropriate, determined in accordance with the Bye-laws.

“Notional Shares” means a unit of reckoning for the purposes of determining the assets of a Managed Class Fund and the Net Asset Value per Share of a Class Fund which includes assets attributable to a Managed Class Fund in accordance with the bye-Laws, and for certainty no votes or voting rights shall be attributable to notional Shares.

“Redemption Price” means the Net Asset Value of the relevant Class Fund divided by the number of Shares of the relevant Class Fund in issue and rounded to two decimal places.

“Shares” means common shares of any Class of a par value of US\$0.01 each.

“Subscription Price” means the Net Asset Value of the relevant Class Fund divided by the number of Shares of the relevant Class Fund in issue and rounded to two decimal places.

“Supplement” means a document which contains specific information supplemental to this document in relation to a Fund.

“US Person” means

1. An individual who is deemed a resident of the U.S. under any U.S. law or regulation
2. An entity:
 - i. that is a corporation, partnership, limited liability company or other business entity:
 - a. that was created or organized under U.S. federal or state law including any non-U.S. agency or branch of such entity; or
 - b. where regardless of place of formation or organization, was organized principally for passive investment (such as an investment company or fund or similar entity other than an employee benefit plan or employee pension scheme for the employees, officers, or principals of a non-U.S. entity having its principal place of business outside the United States);
 - and owned directly or indirectly by one or more USPs, with respect to which such USPs (unless defined as a Qualified Eligible Person under CFTC Regulation 4.7(a)) directly or indirectly hold in the aggregate 10% or greater beneficial interest; or
 - where a USP is the general partner, managing member, managing director or other position with authority for directing the entity's activities; or
 - was formed by or for a USP principally for the purpose of investing in securities not registered with the SEC; or
 - where more than 50% of its voting ownership interests or non-voting ownership interests are directly or indirectly owned by USPs; or

- c. that is any agency or branch of a non-U.S. entity located in the U.S.; or
 - d. has its principal place of business in the U.S.; or
- ii. that is a trust created or organized under U.S. federal or state law or regardless of the place of creation or organization;
 - a. where one or more USPs has the authority to control all substantial decisions of the trust; or
 - b. where the administration of the trust or its formation documents are subject to the supervision of one or more U.S. courts; or
 - c. where any settlor, founder, trustee, or other person responsible for decisions related to the trust is a USP; or
- iii. that is an estate of a deceased person regardless of where the person resided while alive where an executor or administrator is a USP.
- 3. An employee benefit plan established and administered in accordance with the laws of the U.S.
- 4. A discretionary or non-discretionary investment account or similar account (other than an estate or trust) held by a non-U.S. or U.S. dealer or other fiduciary for the benefit or account of a USP (as defined above).

For the purpose of this definition, the “United States” and “U.S.” means the United States of America (including the States and the District of Columbia), its territories, possessions and other areas of subject to its jurisdiction.”

If, subsequent to a shareholder’s investment in the Company, the shareholder becomes a USP, such shareholder (i) will be restricted from making any additional investments in the Company and (ii) as soon as practicable have its Shares compulsorily redeemed by the Company (subject to the requirements of applicable law).

“Valuation Day” means the last Business Day in each month and/or such other day or days as the Directors may determine with respect to any Class of Shares and as specified in the particular Supplement of the relevant Fund.

4.0 Introduction

The Company is a mutual fund company incorporated with limited liability in Bermuda and with unlimited duration on 5th September 2001, in accordance with *The Companies Act 1981* and is authorized as a standard fund under the Act. The Company is open-ended in that it can issue and redeem its Shares at prices based upon their Net Asset Value per Share. The Shares of the Company may be divided into several Classes one or more of which will be related to a Fund within the Company, the details of which are set out in the Supplement(s) enclosed with this Prospectus. Each Fund will have its own specific investment policies allowing for either a fund of funds structure, a direct

investment structure or a combination of the two. Additional Classes of Shares may also be created from time to time at the discretion of the Directors.

In order to give effect to the various rights and privileges, fee structure and other terms attaching to each Class of Shares, each Fund's assets and liabilities will be segregated into separate Class Funds. Proceeds from the issuance of Shares of a particular Class will be applied in the books of the Company to the applicable Class Fund within each Fund.

The Company is managed by HSBC Global Asset Management (Bermuda) Limited (the "Manager"), a wholly-owned subsidiary of HSBC Bank Bermuda Limited.

The present authorised share capital of the Company is US\$100,000 consisting of 100 founders' shares and 9,999,900 Shares of US\$0.01 par value each. The founders' shares have been issued nil paid to, and are owned by, the Manager. The founders' shares do not entitle the holder thereof to any voting or other rights but only to the return of capital paid up on a winding-up. The Shares have the rights and are issued and redeemed at prices described in this Prospectus. The Directors have the power at their discretion to create such number of Classes of Shares as they may determine, and Funds attributable to each one or more such Classes. At present the Company has available for issue Shares in the Classes described in the Supplement(s) enclosed with this Prospectus.

The Directors may, from time to time, determine when a Class is open or closed for subscriptions.

The Company has the power to issue and redeem its Shares at prices based upon the value of the net assets of the underlying Fund. Details concerning issues and redemptions and the calculation of the applicable Subscription and Redemption Prices are set out below and in the particular Supplement for each Fund.

The proceeds of issue of Shares of any Class are paid to the relevant Fund, the assets of which are held exclusively for the benefit of the holders of Shares of the relevant Class. Investments acquired are held by and all income and capital gains earned on the investments shall accrue to the relevant Fund and all expenses and liabilities related to a particular Fund are charged to and any dividends or redemptions of Shares of any Class are paid out of the assets of the relevant Fund. Thus, the trading results of any one Fund will have no effect on the value of any other Fund and the holders of any Class of Shares will not have any interest in the assets of the Company other than the Fund attributable to the Class of Shares held by them. The assets of each Fund will, however, be subject to the rights of the general creditors of the Company.

It should be remembered that the price of Shares might go down as well as up.

Shares of each Class are available for issue, subject as hereinafter provided, at the applicable Subscription Price per Share plus a placing fee (for details see Supplement(s) for each Fund enclosed with this Prospectus) which will be payable by the applicants to

the Manager, out of which a commission may, at the Manager's discretion, be allowed to dealers in securities or other intermediaries.

Potential subscribers of Shares in the Company and any Class should inform themselves as to (i) the possible tax consequences, (ii) the legal requirements and (iii) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the subscription, holding and disposal of Shares in the Company.

4.1 Investment Objectives and Policies

Each Fund will have its own objectives and policies, the details of which are or will be set out in the Supplement(s) enclosed with this Prospectus. The investment policy of the Company is to be substantially fully invested, however each Fund may invest in cash or cash equivalents, including money market funds managed by the Manager, during periods of pending investment.

There can be no assurance that the investments of the Funds will be successful or that the objectives of the Funds will be attained.

4.2 Investment Restrictions

The Bye-laws contain no restrictions on the investment powers of the Directors in respect of the Funds. However, the Directors intend that the Company shall not for the account of any Fund:

- (i) make investments which will result in the Company exercising legal or management control of any underlying investments;
- (ii) acquire any asset or investment which would involve the assumption of unlimited liability (which does not include market related activity such as short sales) unless a corresponding hedge transaction is entered into in respect to that asset or investment; and
- (iii) make loans (except to the extent that the acquisition of an investment might constitute a loan) or guarantee the repayment of loans other than the making of deposits with the Bank or any bank or deposit-taking institution approved by the Bank.

The Manager shall not in any case be obliged to reduce any holding if any such limit were exceeded owing to the appreciation or depreciation of investments, the receipt of profits, bonuses or benefits in the nature of capital, any scheme of arrangement or amalgamation, reconstruction, conversion or exchange, any redemption of shares or fluctuations in exchange rates. However, if these limits are exceeded, the Manager may not add further to such investments.

4.3 Borrowing and Leverage

Although the Company does not currently intend to leverage its portfolio through borrowing, it is authorised to directly borrow up to 10 per cent of the value of the net assets of a Fund from banks and other financial institutions in order to meet requests for redemption or when funds are required for investment. Assets of the Company may be pledged to such lenders as security for such loans. Money borrowed will be subject to

interest and other costs (which may include commitment fees and/or the cost of maintaining minimum average balances), which may or may not exceed the income received from the instruments purchased with borrowed funds. The use of margin accounts by the Company in connection with portfolio transactions entered into for the account of any of its Funds is also a form of leverage. Additionally the Company may invest in collective investment schemes and/or mutual funds or similar entities which may use leverage through borrowing.

4.4 Risk Factors

Investments in the Company involve a high degree of risk and are suitable only for sophisticated and experienced investors of substantial financial means who have no need for liquidity with respect to an investment in the Company and who can afford a substantial or total loss of their investment. Because the Company's Net Asset Values per Share will fluctuate with changes in the market value of its portfolio securities, an investment in the Company may not be suitable for investors with specific short-term investment return needs. The impact of the Company's activities on the taxation of investors may vary significantly and all investors should be aware of their own personal tax situation. In analysing the offering made hereby, prospective investors should carefully consider, among other factors, the following elements of risk:

Foreign Exchange

Investors should be aware that investments in a Fund with a base currency other than their own will create a foreign exchange exposure and the value of the investment in terms of their own currency may be depleted significantly as a result.

Calculation of Net Asset Value

When calculating the Net Asset Value of a Fund, the Directors may rely upon net asset value calculations or estimated net asset value calculations produced by underlying funds, which the Fund has invested in. Such information may be inaccurate and/or incomplete, thus resulting in inaccurate computations of the Fund's Net Asset Value. None of the Directors, the Manager or the Administrator is obligated to verify any such information and it is expected that such parties typically will not verify any such information. None of the Directors, the Manager or the Administrator will be responsible for such information and/or improper valuations based upon errors in such information. In addition where the Directors or the Administrator rely upon the last redemption price produced by underlying funds, the actual value of such Funds may have changed materially from the date of the production of such redemption price and the relevant Valuation Day. The Net Asset Value of the Fund calculated as of such Valuation Day shall be final and binding on all parties and shall not be altered to reflect any subsequent alteration in the valuation of the underlying funds.

Insolvency

Investors should also be aware that the value of Shares of a Fund could be adversely affected by the insolvency or similar financial difficulties affecting any institution with which the cash of the relevant Fund has been deposited, or any issuer whose securities are held by the relevant Fund.

Futures

Investments in futures and currency markets give rise to substantial market risks, as normal practice in these markets requires the payment of a deposit only when entering into a market position. The deposits required are typically less than 10 per cent of the underlying contract value. Profits or losses arising from the price fluctuation relating to such a market position may substantially exceed the value of the deposits made. Consequently, investments using such techniques are subject to a number of risks and may be regarded as speculative. Investors should therefore be aware that such investments might result in the risk of substantial losses as well as the possibility of substantial gains.

Options

Options can, in certain circumstances, substantially increase the impact of adverse price movements on the Company. Purchasing put and call options, as well as writing such options, while often utilized to hedge investments, are highly specialized activities and entail greater than ordinary investment risks.

Short Sales

The Company may engage in short sales, which entail special risks. If the market price of a security that the Company has sold short increases between the date of sale and the date on which the Company must deliver or replace the security, the Company will incur a loss on that transaction. Short selling involves selling securities which the Company may or may not own, and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling should allow the Company to profit from any declines in the market prices of the securities it sells short to the extent such declines exceed the Company's transaction costs and the Company's costs of borrowing the securities. However, because the Company must replace the borrowed securities by purchases at market prices in order to close out its short position, any appreciation in the price of the securities would result in a loss to the Company. Furthermore, from time to time the Company may experience difficulty in borrowing securities to cover its short sales, which in turn may require the Company to purchase the securities in the open market in order to effect timely delivery of the securities to the purchaser. The Company's purchase of securities to close out a short position can itself cause the price of the securities to rise, thereby resulting in, or exacerbating, a loss to the Company. The use of short sales may also have an adverse tax impact on certain types of tax-exempt shareholders.

The nature of the Company's principal activities may subject a shareholder's investment to greater than ordinary investment risks.

The Company's investment restrictions do not prohibit certain investment techniques, such as concentration of investments in a small number of companies or industries, and short selling, which may entail significant risks. An investment in the Company should only be considered by persons who are financially able to maintain such an investment and who can afford the loss of their investment.

4.5 Dividend Policy

The dividend policy for each Fund is set out in the Supplement(s) enclosed with this Prospectus.

5.0 Management & Administration

5.1 Directors

L. Anthony Joaquin, Bermudian, a Fellow of the Institute of Chartered Accountants, is retired Managing Partner of the Bermuda office of Ernst & Young. Mr. Joaquin has served as the Deputy Chairman of the Bermuda Government Insurance Advisory Committee (the main policy making body for insurance regulation in Bermuda) and as Chairman of the Insurance Regulatory Sub-Committee. He has also served as a member of the International Business Forum, the Bermuda Government Tax Advisory Committee and the Price Control Commission. He is currently a director of HSBC Bank Bermuda Limited, the Bermuda Monetary Authority, SAL Limited, BELCO Holdings Limited and BF&M Limited.

Faith A. Outerbridge, Bermudian, is the Head of HSBC Global Asset Management Bermuda. She originally joined the Bank in 1993 as a Fund Manager, bringing the previously outsourced money market fund management in-house. She then progressed to the role of Senior Fund manager in 2000 with oversight of all in house managed money market funds, including the sterling and euro funds. In 2003, she became the Director of Investment Management, an expanded role including oversight of all other non-liquidity in-house managed funds, most notably the fund of funds business. Ms Outerbridge was promoted to the Regional CIO for Liquidity in 2006 and had oversight for the management of all Liquidity funds managed in the Americas. She was promoted to her current role in April 2011. Prior to joining the bank, she worked at ACE Ltd and the Butterfield Bank. She obtained her BA in Administrative and Commercial Studies from the University of Western Ontario in 1989, her MBA from Dalhousie University in 1991 and her CFA designation in 1996.

Anthony T. Riker, British, is a Vice President and Head of the Middle Office, Commercial Banking, HSBC Bank Bermuda. He graduated in 1982 from Boston University with a degree in Economics. Following graduation, Mr. Riker entered the management trainee program at the Bank of Bermuda, working in Internal Audit. He left the Bank in 1987 as an Audit Senior and went to work for Boston Safe Deposit and Trust Company as an Audit Officer. In 1992, he transferred to their London office to work as Credit Officer and Audit Manager. Mr. Riker returned to Bank of Bermuda in 1993, where he has held various positions in the Alternative Fund Services group and Corporate Banking including Head of Sales, Senior Relationship Manager in Bermuda and Head of Corporate Banking at HSBC Bank (Cayman) Limited.

Julie E. McLean, British, is a Director in the Corporate Department of Conyers Dill & Pearman Limited in Bermuda, which she joined in 1993. Ms. McLean also spent two

years in the firm's Hong Kong office specialising in the initial public offerings of Bermuda companies listed on the Hong Kong Stock Exchange. Ms. McLean has an LLB from the University of British Columbia and a BA from the University of Western Ontario.

The Directors of the Company are responsible for the overall investment policy and administration of the Company and each of the Funds.

5.2 Manager

The Company has appointed the Manager, under an agreement between the Company and the Manager (the "Management Agreement"), with responsibility for the management of the Company. In addition the Manager shall be responsible for supervising the administration of the Company and for the payment of any fees and/or expenses of the Custodian and Administrator of the Company. The Manager is a wholly owned subsidiary of HSBC Bank Bermuda Limited.

The Manager is a company incorporated on 1 September 1966, with limited liability in and under the laws of Bermuda. The name of the Manager was changed to its present name on 2 June 2008. The Manager presently conducts investment management for other HSBC Bank Bermuda Limited mutual funds and institutional clients. The current Directors of the Manager are Ms. Faith Outerbridge, (also a Director of the Company), Ms. Louise Twiss-West, Mr. Mark Watkinson, Ms. Renee Bullock-Cann and Ms. Renee M. Lewis.

The appointment of the Manager will continue unless and until determined, *inter alia*, by the Company giving the Manager at least one month's notice, or the Manager giving the Company at least six months' notice of termination in writing.

The Manager is entitled to receive a monthly management fee from the Company, the details of which are given in the "Charges & Expenses" section on page 27.

In making or disposing of investments on behalf of any Fund, the Manager may deal with any bank or recognised dealer in securities, including the Bank, and may also make deposits with, borrow from and transact other business with the Bank for the account of the Funds. Purchases from and sales to the Bank of investments will only be made on a basis approved by the Directors in writing; subject thereto, the terms of each such transaction will be agreed between the Manager and the Bank, which may retain for its own benefit any profit arising therefrom.

5.3 Custodian

The Custodian has been appointed by the Company under an agreement between the Company, and the Custodian (the "Custodian Agreement") as Custodian of the investments and uninvested cash of the Company, which are held on behalf of the Funds either directly by the Custodian or through sub-custodians, nominees, agents or delegates of the Custodian.

The appointment of the Bank as Custodian may be terminated by either the Custodian or the Company on giving not less than 60 days' notice in writing. The Directors may not remove the Custodian unless and until a successor corporation shall have been appointed in accordance with the Bye-laws.

The Custodian is entitled to receive a monthly custody fee from the Company, the details of which are given in the "Charges & Expenses" section on page 27. The Manager shall out of the Management Fee it receives from the Company pay any fees and/or expenses of the Custodian.

5.4 Banker

The Company has also appointed the Bank as its banker on the Banker's normal banking terms for customers (as regards bank charges, interest and other matters). As banker to the Company, the Banker is responsible for executing banking and financial transactions for the account of the Company and its Funds. The Banker is a limited liability company incorporated in Bermuda under *The Bank of Bermuda Act of 1890*. It was amalgamated with the HSBC Group of companies in February 2004.

5.5 Administrator

The Company has appointed the Administrator to provide administrative services and to act as its Registrar. Under an agreement between the Company, the Manager and the Administrator (the "Administration Agreement"), the Administrator is responsible for maintaining the register of shareholders for the issue, redemption and transfer of Shares in the Company, for the periodic calculation of the Net Asset Value per Share, for maintaining the books and records of the Company, for providing company secretarial services and for the general administration of the Company. The Administrator is a wholly-owned subsidiary of the Bank.

The appointment of the Administrator may be terminated by either the Administrator or the Company giving not less than 60 days' notice in writing.

The Administrator is entitled to receive a monthly administration fee from the Company, the details of which are given in the "Charges & Expenses" section on page 27. The Manager shall out of the Management Fee it receives from the Company pay any fees and/or expenses of the Administrator.

5.6 Issue of Shares

Shares may be issued and allotted by, the Company on Dealing Days. The Bye-laws of the Company stipulate that no Share may be issued at less than the applicable Subscription Price on each Dealing Day. The Subscription Price per Share on each Dealing Day will be the Net Asset Value per Share of the relevant Class calculated at the close of business on the immediately preceding Valuation Day and rounded to two decimal places. Where, at the time of the application for Shares, there are no Shares of the relevant Class in issue, the Subscription Price shall be such amount as the Directors

may determine. Shares may not be issued at less than their par value. A placing fee of up to 5 per cent of the aggregate subscription amount may be payable to the Manager by applicants on the issue of Shares, out of which a commission may be allowed to agents appointed by the Manager.

The Administrator must receive completed applications for Shares in each Fund by the time set out in the Supplement applicable to the relevant Fund. In addition, payment for Shares in cleared funds must also be received in the bank account specified on the application form for shares by such time set out in the Supplement applicable to each Fund.

Applications for the issue of Shares may only be accepted in respect of Classes which the Directors have declared open for subscription. The Directors have complete discretion to declare from time to time which individual Classes are open or closed for subscription at the relevant Dealing Day.

Fractions of a Share of not less than one thousandth of a Share may be issued. Shares will be issued in registered form without share certificates.

The minimum initial subscription and the minimum for subsequent subscriptions for any Class of Shares are set out in the particular Supplement for the relevant Fund. The minimum initial subscription amount in any Class of Shares is hereinafter referred to as the “Minimum Holding”.

Investors must meet the Company’s suitability and eligibility criteria as may be determined by the Manager from time to time and all subscriptions are subject to rejection or acceptance in whole or in part by the Manager, in its sole discretion, even if such person meets such suitability or eligibility requirements.

The Company, the Administrator, or any of their duly authorised agent(s), may request such documentation as it deems necessary prior to the issue of Shares to achieve compliance with applicable anti-money laundering statutes and counter financing of terrorism and regulations and failure to provide the necessary evidence may result in applications being rejected or in delays in the despatch of documents and for the issue of Shares.

5.7 Anti-Money Laundering & Countering Financing of Terrorism

As part of the Administrator and Bank’s responsibility for the prevention of money laundering and financing of terrorism, the Company, the Administrator, the Bank, its affiliates, subsidiaries or associates may require a detailed verification of the applicant’s identity and the source of the funds. Depending on the circumstances of each application, a detailed verification might not be required where:

- 1) the applicant is a financial institution which is regulated and supervised in a jurisdiction with equivalent AML and CFT laws and regulations to Bermuda; or
- 2) the application is made through an intermediary which is in a jurisdiction with equivalent AML and CFT laws and regulations to Bermuda. In this situation, the

Company may rely on a written assurance from the intermediary that the requisite identification procedures on the Subscriber for business have been carried out and are available upon request from the Company.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised as having equivalent anti-money laundering and counter terrorist financing laws and regulations to Bermuda. In the case of section 2 above, to avoid any delays, the applicant should ensure that its remitting bank includes the applicant's full name and account number in any confirmation sent.

By way of example, an individual may be required to produce a copy of a passport or identification card duly certified by a public authority such as a notary public, together with evidence of his/her address such as a utility bill or bank statement, and date of birth. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), and the names, occupations, dates of birth and residential and business addresses of all directors and beneficial owners. Detailed requirements are outlined in the Company's Application Form.

The details given above are by way of example only, and the Administrator reserves the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator and/or the Company may refuse to accept the application and all subscription monies relating thereto.

If any person who is resident in Bermuda (including the Administrator and/or the Bank) has a suspicion that a payment to the Company (by way of subscription or otherwise) contains the proceeds of criminal conduct, that person is required to report such suspicion pursuant to the applicable AML and CFT laws and regulations.

The procedure for application is set out at the end of this document on page 39.

5.8 Issue of Shares in Exchange for Securities

Shares of any Class in a Fund may be issued in exchange for securities acceptable to the Manager upon such securities being vested in the Custodian. Charges arising in connection with such vesting so far as not paid by the person to whom the Shares are to be issued, may be paid out of the assets of the relevant Fund and there may also be paid out of the assets of the relevant Fund to the Administrator or the Bank an amount equivalent to the placing fee payable on the issue of such Shares. The number of Shares of the relevant Class in the relevant Fund to be issued in exchange for securities shall not exceed that number which would have to be issued for cash at the relevant Subscription Prices (plus the placing fee) against the payment of a sum equal to the value of the securities to be exchanged. The value of such securities shall be calculated on the same basis as is applicable for the valuation of securities under the Bye-laws.

5.9 Transfer of Shares

Shares in the Company are transferable by instrument in writing signed by (or in the case of a transfer by a body corporate, signed on behalf of or sealed by) the transferor. The completed instrument of transfer must be sent to the Administrator. The Administrator may require the signature of the transferor to be authenticated by a bank, stockbroker or notary public.

Subject to the Manager's sole and absolute discretion in any particular case or generally, no transfer may be made which would result in either the transferor or the transferee being registered as the holder of Shares of any Class having a value of less than the Minimum Holding of the relevant Class of Shares. The Administrator may also decline to recognise any transfer unless it is deposited at the registered office of the Company or such other place as the Administrator may appoint, accompanied by any such other evidence as the Administrator may reasonably require to show the right of the transferor to make the transfer and an application form completed by the transferee.

No transfer may be made to US Persons or Canadian Residents.

The Directors may at their absolute discretion waive any restrictions on transfer.

The registration of transfers may be suspended for a total of not more than 30 days in any year at the discretion of the Administrator.

In the case of death of any one of joint shareholders, the survivor or survivors will be the only person or persons recognised by the Company as having any title to the interest of the deceased joint shareholder in the Shares registered in the names of such joint shareholders.

5.10 Redemption of Shares

Subject to any suspension of the determination of the Net Asset Value of any Fund (see "Suspension of Valuations and Dealings") and subject as mentioned below, Shares of any Class may be redeemed either (i) by letter (ii) by facsimile or (iii) by email with scanned signatures to the Administrator at the numbers set out on page 8. Requests for redemption should state the number, Class of Shares, or value, in the Fund(s) to be redeemed and the name in which such Shares are registered, should be for not less than the amount set out in the particular Supplement for the relevant Fund. Requests for redemption must be received by the Administrator or the Bank by the time set out in the Supplement applicable to the relevant Fund.

The Administrator may require the signature on the request for redemption to be authenticated by a bank, stockbroker or notary public.

The Bye-laws provide that Shares will be redeemed on the next Dealing Day falling after the receipt of such redemption request. A shareholder redeeming Shares of any Class will be paid an amount equal to the Redemption Price relevant to those Shares (as to the calculation of which see below) as at the close of business on the immediately preceding

Valuation Day. Subject to the above, the Bye-laws provide that payment of the redemption monies by cheque shall be made in US dollars and will be dispatched to the redeeming shareholder at their risk generally within 30 calendar days of the relevant Dealing Day or after receipt of all necessary completed documentation (including the signed original application form) whichever is the later. However, the Directors, in their absolute discretion, may determine to pay at least 90 per cent of the aggregate redemption amount payable as aforesaid to the redeeming shareholder within 30 calendar days after the relevant Dealing Day and the remaining balance as soon as the net asset value of the underlying investment vehicles in which the assets of any Fund have been invested has been confirmed by the Administrator.

The Company, the Administrator, or any of their duly authorised agent(s), may request such documentation as it deems necessary prior to a redemption of Shares to achieve compliance with applicable anti-money laundering and counter financing of terrorism statutes and regulations and failure to comply with a request for additional information could result in the redemption of the subscriber's investment in the Company or may result in the Company or the Administrator, as the case may be, refusing to process a redemption request until proper information is provided.

In the event that redemption requests are received for the redemption of Shares of any Class representing in the aggregate more than 10 per cent of the total number of Shares of the relevant Class outstanding, the Company will be entitled to reduce the requests ratably and *pro rata* among all shareholders seeking to redeem Shares of the relevant Class on the relevant Dealing Day and carry out only sufficient redemptions which, in the aggregate, amount to 10 per cent of the Shares of the relevant Class outstanding. Shares of the relevant Class which are not redeemed but which would otherwise have been redeemed will be redeemed on the next Dealing Day (subject to further deferral if the deferred requests themselves exceed 10 per cent of the Shares outstanding) in priority to any other Shares of the same Class for which redemption requests have been received. Shares will be redeemed at the Redemption Price per Share of the relevant Class prevailing on the Valuation Day immediately preceding the Dealing Day on which they are redeemed.

In circumstances where redemption proceeds are to be paid by wire/telegraphic transfer to a designated bank account, the onus is placed on the shareholder(s) to ensure that the Administrator is provided with accurate bank account details (name and address of bank, account name and number). Such monies will then be transferred to the designated bank account at the risk and expense of the redeeming shareholder. If the Administrator does not receive adequate instructions, payment of those monies will be made by cheque.

A shareholder may also request payment of his redemption monies in a currency other than US dollars. Subject to receipt of any necessary exchange control or other government consent, if applicable, and at the risk of the shareholder and on his paying any costs thereby involved, the Administrator shall use its best endeavours to arrange for the conversion of the redemption proceeds to which the shareholder is entitled into such

currency as the shareholder may require at the prevailing commercial exchange rate offered by the Bank.

Subject to the Manager's discretion, redemption of part of a holding of Shares is permitted provided it would not result in the shareholder remaining registered as a holder of Shares of any Class having a value of less than the minimum amount set out in the particular Supplement for each Fund related to that Class.

The Manager may elect to purchase Shares presented for redemption at a price not less than the Redemption Price applicable to those Shares on the relevant Dealing Day.

The Directors have power on any redemption to divide in specie the whole or any part of the assets of the relevant Fund and to distribute such assets in satisfaction or part satisfaction of the monies payable on redemption of Shares.

5.11 Compulsory Redemption

The Bye-laws empower the Directors in their sole and absolute discretion to compulsorily redeem all or a portion of a shareholder's Shares at any time for any reason, at the relevant Redemption Price per Share. The Directors anticipate exercising such powers if, among other things, as a result of any transfer or redemption, a shareholder's holding of Shares falls below a Net Asset Value equal to the Minimum Holding of the relevant Class of Shares, or if to do so, in the Directors' sole opinion, would eliminate or reduce the exposure of the Company or any Fund or its shareholders to adverse tax consequences under the laws of any country or if the acquisition or holding of Shares might be expected to prejudice, or risk prejudicing, in any way the Company, any Fund or the shareholders. The Directors are required by the Bye-laws to give 30 days' written notice to shareholders before exercising this power.

The Bye-laws also empower the Directors in their sole and absolute discretion to compulsorily redeem all (but not less than all) of the Shares of any Class in issue at any time for any reason, at relevant Redemption Price per Share. The Directors are required by the Bye-laws to give 30 days' written notice to shareholders before exercising this power.

5.12 Conversion Between Funds (Switching)

The shareholders will have the right, subject to the payment of a fee as provided below and to any suspension of the determination of the Net Asset Value of any relevant Fund (see "Suspension of Valuations and Dealings") to convert all or part of their holding of any Class of Shares in any one Fund into Shares of any Class of another Fund(s) by giving notice to the Administrator in writing or by facsimile of their requirements.

Conversion will be effected on the next Dealing Day falling after receipt of such conversion request provided that the said request is received on or before the first Business Day of the month immediately preceding the relevant Dealing Day for which purposes any such conversion request received after 5:00 p.m. (Bermuda time) on a

Business Day in Bermuda will be treated as having been received on the next such Business Day.

Conversion of a part of a holding of Shares of any Class is permitted provided it would not result in the shareholder remaining registered as a holder of Shares of any such Class having a value of less than US\$10,000 or such other amount as the Manager in its absolute discretion may determine either in any particular case or generally.

In effecting conversions, the Manager has the right to impose a conversion charge of up to 0.25 per cent of the Redemption Price of Shares to be converted.

The rate at which all or any part of a holding of Shares of any Class (the “original Class”) will be converted into Shares of another Class (the “new Class”) will be determined in accordance (or as nearly as may be in accordance) with the following formula:

$$A = \frac{B \times (RP - CF)}{SP}$$

where:

A is the number of Shares of the new Class to be issued;

B is the number of Shares of the original Class to be converted;

CF is the conversion charge of the original Class of up to 0.25 per cent of the RP;

RP is the Redemption Price per Share of the original Class determined for the relevant Dealing Day; and

SP is the Subscription Price per Share of the new Class determined for the relevant Dealing Day and excludes the placing fee of up to 5 per cent, which is waived on conversions.

5.13 Publication of Prices

The latest Subscription Prices of Shares of each Class shall be published regularly in Bermuda in any publications as the Directors may determine from time to time, and may be obtained during normal business hours on any Business Day from the Manager.

6.0 Charges & Expenses

6.1 Manager

The charges and expenses of the Manager which will be paid by the Company out of the assets of each Class within a Fund as set out in the particular Supplement for each such Fund.

6.2 Custodian and Administrator

The Manager, out of the management fee it receives for its services, shall be responsible for the payment of the fees and expenses of the Custodian and Administrator.

6.3 Directors

Each of the Directors is entitled to receive from the Company a fee at such rate as may be determined from time to time by the Board of Directors provided such remuneration shall not exceed an aggregate amount of US\$30,000 without the prior consent of shareholders in general meeting. However, no such fee will be payable where the Director is employed by the Bank or one of its subsidiaries or affiliates. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending meetings of the Company.

6.4 Expenses

The Company, in addition, bears all its operating costs and expenses including the cost of all brokerage, interest on borrowings and fees in respect thereof, the annual Bermuda company registration fee, the fees and expenses of the auditors and legal advisers to the Company, the cost of publication of prices, and the cost of printing and distributing semi-annual and annual reports and statements.

The expenses in connection with the incorporation of the Company and initial offer of the Shares, which were approximately US\$50,000, were paid by the Company and amortised over a 60 month period from the date of launch of the Company.

7.0 Taxation

The following comments are based on advice received by the Directors regarding current law and practice. Investors should appreciate that the taxation consequences for investors and the Company may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Shares under the laws of their countries of citizenship, residence, ordinary residence or domicile.

7.1 Foreign Account Tax Compliance Act (FATCA)

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("FATCA") impose a 30% withholding tax on certain payments to a foreign financial institution ("FFI") if that FFI is not compliant with FATCA. The Company is a FFI and thus, subject to FATCA.

Beginning 1 July 2014, this withholding tax applies to payments to the Company that constitute interest, dividends and other types of income from U.S. sources (such as dividends paid by a U.S. 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 U.S. source dividend or interest payments.

These FATCA withholding taxes may be imposed on payments to the Company unless (i) the Company becomes FATCA compliant pursuant to the provisions of FATCA and

the relevant regulations, notices and announcements issued thereunder, or (ii) the Company is subject to an appropriate Intergovernmental Agreement to improve international tax compliance and to implement FATCA (“IGA”). The Company intends to comply with FATCA in good time to ensure that none of its income is subject to FATCA withholding.

Bermuda has signed an IGA with the U.S. and the Company intends to comply with the terms of the IGA and local implementing regulations.

In order to comply with its FATCA obligations, the Company will be required to obtain certain information from its investors so as to ascertain their U.S. tax status. If the investor is a specified U.S. person, U.S. owned non-U.S. entity, non-participating FFI (“NPFPI”) or does not provide the requisite documentation, the Company may need to report information on these investors to the appropriate tax authority, as far as legally permitted.

If an investor or an intermediary through which it holds its interest in the Company either fails to provide the Company, its agents or authorised representatives with any correct, complete and accurate information that may be required for the Company to comply with FATCA or is a NPFPI, the investor may be subject to withholding on amounts otherwise distributable to the investor, may be compelled to sell its interest in the Company or, in certain situations, the investor’s interest in the Company may be sold involuntarily. The Company may at its discretion enter into any supplemental agreement without the consent of investors to provide for any measures that the Company deems appropriate or necessary to comply with FATCA.

The Standard for Automatic Exchange of Financial Account Information in Tax Matters (commonly referred to as the “Common Reporting Standard” or “CRS”) is a regime developed by the Organisation for Economic Co-operation and Development (“OECD”) to facilitate and standardize the exchange of certain account information for those customers not resident solely in the jurisdiction where the bank account is held, primarily for taxation purposes, between numerous jurisdictions around the world (“participating jurisdictions”). Bermuda is a signatory to The Multilateral Convention on Mutual Administrative Assistance in Tax Matters which permits participating jurisdictions to enter into agreements that provide for the automatic exchange of information with respect to certain tax matters. On 29 October 2014, Bermuda signed The Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information, which provides the international legal framework for the automatic exchange of CRS information. Bermuda, together with over 55 other participating foreign jurisdictions, has committed to implement CRS with effect from 1 January 2016 and as a result, the Fund is required to identify accounts held directly or indirectly by residents in participating jurisdictions and to report information on such persons to Bermuda’s competent authority on tax matters (the “Minister of Finance”), which will then exchange such information annually with foreign fiscal authorities in other participating jurisdictions.

Other countries are in the process of adopting tax legislation concerning the reporting of information. The Company also intends to comply with such other similar tax legislation that may apply to the Company, although the exact parameters of such requirements are not yet fully known. As a result, the Company may need to seek information about the tax status of investors under such other country's laws and each investor for disclosure to the relevant governmental authority.

Investors should consult their own tax advisors regarding the FATCA/CRS requirements with respect to their own situation. In particular, investors who hold their Shares through intermediaries should confirm the FATCA compliance status of those intermediaries to ensure that they do not suffer FATCA withholding tax on their investment returns.

7.2 Bermuda

At the date of this Prospectus, there is no Bermuda income, corporation, or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or its shareholders, other than shareholders ordinarily resident in Bermuda. The Company is not subject to stamp duty on the issue, transfer or redemption of its Shares. The Company has received from the Minister of Finance of Bermuda under the *Exempted Undertakings Tax Protection Act, 1966* an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not until 23 March 2035 be applicable to the Company or to any of its operations, or to the shares, debentures or other obligations of the Company except in so far as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Company or any land leased or let to the Company.

As an exempted company, the Company is liable to pay in Bermuda a registration fee based upon its authorised share capital at a rate not exceeding BD\$31,120 per annum.

The Company has been classified as non-resident of Bermuda for exchange control purposes by the BMA whose permission for the issue of Shares in the Company has been obtained. The transfer of Shares between persons regarded as non-resident of Bermuda for exchange control purposes and the issue and redemption of Shares to or by such persons may be effected without specific consent. Any person regarded as resident in Bermuda for exchange control purposes may require specific authorisation under that Act. The Company, by virtue of being non-resident of Bermuda for exchange control purposes, is free to acquire, hold and sell any foreign currency and securities without restriction.

7.3 Other Jurisdictions

The central management and control and the day-to-day management of the Company are undertaken in Bermuda and it is not intended that the Company will operate in such a manner as to be engaged in a trade or business, directly or through a branch or agency, in any other jurisdiction. Accordingly, it is not expected that the Company will be subject to foreign taxation other than withholding taxes on certain investment income.

8.0 General Information

8.1 Calculation of Net Asset Value and Subscription and Redemption Prices

The Subscription and Redemption Price of a Share is determined at the close of business for each Class on each Valuation Day and is calculated by reference to the value of the net assets of the relevant Fund. Where at the relevant time there are no Shares of the relevant Class in issue, the Subscription Price shall be such amount in the underlying currency as the Directors shall determine.

The Net Asset Value per Share of any Class is to be ascertained in accordance with such generally accepted accounting principles as are applied in Bermuda and Canada, by dividing the value of the net assets of the relevant Class Fund by the number of Shares of the relevant Class Fund then in issue with the resultant amount being the Net Asset Value per Share.

The assets of a Fund comprise the aggregate of: (i) investments owned or contracted to be acquired by the Fund; (ii) cash on hand or on deposit, including accrued interest on such deposits; (iii) cash payments outstanding on any Shares allotted by the Fund; (iv) bills and demand notes and amounts receivable including net amounts receivable in respect of investments contracted to be realised by the Fund; (v) interest accrued on interest-bearing investments of the Fund, except that accrued on securities which is included in the quoted price; and (vi) other property and assets of any kind and nature of the Fund, including prepaid expenses and unamortised preliminary expenses as valued and defined from time to time by the Directors.

The liabilities of a Fund are deemed to include: (i) investments contracted to be sold by the Fund; (ii) bills and accounts payable by the Fund; (iii) management and administrative fees and expenses payable and/or accrued (the latter on a day-to-day basis) in respect of the Fund; (iv) the gross acquisition consideration of investments or other property contracted to be purchased by the Fund; (v) reserves authorised or approved by the Directors for duties and charges or taxes or contingencies (accrued where appropriate on a day-to-day basis); (vi) the aggregate amount of all borrowings and interest, commitment fees and other charges of the Fund arising in connection therewith (accrued where appropriate on a day-to-day basis); and (vii) other liabilities of the Fund of whatsoever nature (which shall, where appropriate, be deemed to accrue from day to day), including outstanding payments on any Shares previously redeemed and, as from the record date in respect thereof, any dividends declared and not paid (contingent liabilities, if any, being valued in such manner as the Directors may determine from time to time or in any particular case).

Where there are Shares of different Classes within a Fund, the Net Asset Value per Share amongst such Classes may differ to reflect the fact that different levels of fees and expenses are attributed to such Classes.

In order to give effect to the various rights and privileges, fee structure and other terms attaching to each Class of Shares, the Memorandum of Association and Bye-laws provide that each Fund's assets and liabilities will be segregated into separate Class Funds. Proceeds from the issuance of Fund Shares of a particular Class will be applied in the books of the Company to the applicable Class Fund.

The value of the net assets of a Fund is determined in accordance with the Bye-laws which provide, inter alia, that:

- (i) the value of Shares or units of collective investment schemes shall be determined by reference to the latest available estimated redemption price per share of such schemes as quoted by the management of such schemes or by their duly authorised agents;
- (ii) the value of any investment listed, quoted, traded or dealt in on an exchange, over-the-counter market or secondary market (which expression means any recognised market made by any bank or security dealer in the investments) shall be determined by reference to the latest available stock exchange, over-the-counter market or secondary market dealing bid price; such valuation shall be assessed on the basis of the latest price reasonably available at the relevant Valuation Day;
- (iii) where an investment is quoted, listed, traded or dealt in otherwise than solely on one stock exchange, one over-the-counter market or one secondary market, the Directors may determine which stock exchange, over-the-counter market or secondary market shall prevail;
- (iv) the Directors at their absolute discretion may permit some other method of valuation to be used if they consider that such valuation better reflects the fair value of any investment or investments;
- (v) if no such price quotations are available, the value thereof shall be determined from time to time in such manner as the Directors shall determine;
- (vi) the value of any cash in hand or on deposit, bills and demand notes and amounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received shall be deemed to be the full amount thereof in unless the Directors shall have determined that the same is not worth the full amount thereof, which event the value thereof shall be such as the Directors deem to be the reasonable value thereof;

- (vii) preliminary expenses are to be amortised over a maximum period of five years from the launch of the Company and are to be included as an asset valued at cost less amounts amortised; and
- (viii) any value (whether of a security or of cash) otherwise than in the underlying currency of the relevant Fund is to be converted into such currency at the rate (whether official or otherwise) which the Directors shall, in their absolute discretion, deem appropriate to the circumstances having regard, inter alia, to any premium or discount which they consider may be relevant and to costs of exchange.

The Bye-laws provide that any certification as to the Net Asset Value per Share given in good faith by or on behalf of the Directors is binding on all parties.

8.2 Allocation of Assets and Liabilities Between Class Funds

The assets and liabilities credited to and debited from each Class Fund shall be applied solely in respect of the Shares of the Class to which such Class Fund appertains and the following provisions shall apply to Class Funds established and maintained in respect of each Class of Shares:

- (i) the proceeds from the allotment and issue of each Class of Shares shall be applied in the books of the Company to the Class Fund established for that Class of Shares, and the assets and liabilities and income and expenditure attributable thereto shall be applied to such Class Fund subject to the provisions of the Bye-laws. In the case of a Managed Class Fund, the Directors may further apply in the books of the Company all or a portion of the assets thereof to the credit of another Class Fund (the “subject Class Fund”), and any assets so applied shall be held in such subject Class Fund as if received directly thereby. Where assets are so applied, the subject Class Fund shall record the issue of notional Shares to the relevant Managed Class Fund in a number equal to the value of the assets credited to the subject Class Fund divided by the Subscription Price (excluding any Initial Charge) for Shares of the subject Class Fund, and (a) the number of Shares of the subject Class Fund in issue shall be deemed to be increased by the number of such notional Shares recorded in respect of the subject Class Fund and (b) the assets of the relevant Managed Class Fund shall, instead of the value of the assets applied to the subject Class Fund, be deemed to include an asset valued at the number of notional Shares recorded by the subject Class Fund in favour of the relevant Managed Class Fund multiplied by the Net Asset Value for Shares of the subject Class Fund;
- (ii) where any asset is derived from another asset (whether cash or otherwise), such derivative asset shall be applied in the books of the Company to the same Class Fund as the asset from which it was derived and on each revaluation of an investment the increase or diminution in value shall be applied to the relevant Class Fund;
- (iii) subject to the Act and the Bye-laws, any dividends as and when declared by the Directors shall be paid to the holders of Shares out of the relevant Class Fund.

Where a Class Fund (the “subject Class Fund”) shall have recorded notional Shares as in issue, on the payment of any dividend to the holders of Shares of the subject Class Fund, an amount equal to (a) the number of such notional Shares multiplied by (b) the dividend per Share, shall be debited to the subject Class Fund and credited to the relevant Managed Class Fund;

- (iv) on a redemption of Shares of a Class, the redemption proceeds shall be paid to the holder redeeming such Shares out of the relevant Class Fund. In the case of a Managed Class Fund recorded as entitled to notional Shares of another Class Fund (the “subject Class Fund”), the Directors may on a Dealing Day require that an amount (not exceeding the number of such notional Shares multiplied by the Redemption Price) be debited to the subject Class Fund and credited to the relevant Managed Class Fund, and the number of such notional Shares recorded to be in issue in favour of the relevant Managed Class Fund shall be reduced by (a) the amount so debited to the subject Class Fund divided by (b) the Redemption Price of Shares of the subject Class Fund;
- (v) in the case of any asset of the Company (or amount treated as a notional asset) which the Directors do not consider is attributable to a particular Class Fund or Class Funds, the Directors shall have discretion to determine the basis upon which any such asset shall be allocated between Class Funds and the Directors shall have power at any time and from time to time to vary such basis; and
- (vi) the Directors shall have power to (a) determine the basis upon which any liability shall be allocated between Class Funds (including conditions as to subsequent re-allocation thereof if circumstances so permit) and shall have power at any time and from time to time to vary such basis and (b) transfer any assets (or amounts treated as notional assets) to and from Class Funds if, as a result of a creditor proceeding against certain of the assets of the Company or otherwise, a liability would be borne in a different manner from that in which it would have been borne under clause (a) aforesaid, or in any similar circumstances. Where a Class Fund (the “subject Class Fund”) shall have notional Shares recorded as in issue, on a winding-up the Directors shall debit to the subject Class Fund and credit to the relevant Managed Class Fund an amount equal to (a) the number of such notional Shares recorded in issue in favour of the relevant Managed Class Fund multiplied by (b) the Redemption Price of Shares of the subject Class Fund.

In the event of the Company being wound up, the Bye-laws provide that the liquidator will apply the assets of the Company in satisfaction of creditors’ claims in such manner and order as he thinks fit. The liquidator shall in relation to the assets available for distribution among shareholders make in the books of the Company such transfers thereof to and from Funds as may be necessary in order that the effective burden of such creditors’ claims may be shared between the holders of Shares of Funds in such proportions as the liquidator in his absolute discretion may think equitable having regard to the above provisions. The assets available for distribution among the shareholders shall then be applied in the following priority:

- (i) first, in the payment to the holders of Shares in each Fund of a sum equal to the par value of the Shares of such Fund held by such holders respectively, provided that there are sufficient assets available in the relevant Fund to enable such payment to be made;
- (ii) second, in payment to the holders of Shares in each Fund of any balance then remaining in the relevant Fund, such payment being allocated pro rata to each Class Fund in the relevant Fund based on their respective aggregate Net Asset Values and then made in proportion to the number of Shares held in the relevant Class within each Class; and
- (iii) third, in the payment to the holders of Shares in each Fund of the balance then remaining and not comprised within any of the Funds, such payment being allocated pro rata to each Class Fund in the relevant Fund based on their respective aggregate Net Asset Values and then made in proportion to the number of Shares held in the relevant Class within each Class.

8.3 Suspension of Valuations & Dealings

The Directors may suspend the determination of the Net Asset Value per Share of a Fund for the whole or any part of a period during which any exchange or over-the-counter market on which any significant portion of the investments of a Fund are listed, quoted, traded or dealt in is closed (other than customary weekend and holiday closings) or trading on any such exchange or market is restricted; when circumstances exist as a result of which in the opinion of the Directors it is not reasonably practicable for the Company to dispose of investments comprised in a Fund or as a result of which any such disposal would be materially prejudicial to shareholders; when a breakdown occurs in any of the means normally employed in ascertaining the value of investments or when for any other reason the value of any of the investments or other assets of the Company cannot reasonably or fairly be ascertained; or during which the Company is unable to repatriate funds required for the purpose of making payments due on redemption of the Shares or during which any transfer of funds involved in the realisation or acquisition of investments or payments due on redemptions of the Share cannot in the opinion of the Directors be effected at normal rates of exchange.

No Shares may be issued, converted or redeemed during such period of suspension. The Directors will use their best endeavours to cause notice of their declaration of such suspension to be published and will cause another notice to be so published at the end of any such period of suspension.

8.4 Change of Capital

The Company in general meeting may from time to time by resolution increase its capital, alter or reduce the share capital of the Company to such sum not less than US\$1.00.

8.5 Variation of Class Rights

All or any of the special rights for the time being attached to any Class for the time being issued (of which there are none at present save as referred to herein) may (unless otherwise provided by the terms of issue of the Shares of the Class) from time to time be altered or abrogated with the sanction of a resolution passed by a majority of three-fourths of the holders of such Shares, voting in person or by proxy at a general meeting.

The rights attached to any Class shall (unless otherwise expressly provided by the conditions of issue of such Shares) not be deemed to be varied by the creation, allotment or issue of further Shares ranking *pari passu* therewith.

8.6 Voting Rights

Subject to any special terms as to voting upon which any Shares may be issued or may for the time being be held, at any general meeting on a show of hands every shareholder who, being an individual, is present in person or, being a corporation, is present by a duly authorised representative, shall have one vote. On a poll every shareholder present as aforesaid or by proxy shall have one vote for every Share held.

To be passed, resolutions of the Company in general meeting will require a simple majority of the votes cast by the shareholders voting in person or by proxy at the meeting at which the resolution is proposed.

A majority of not less than 75% of the votes cast by the shareholders present in person or by proxy and (being entitled to vote) voting in general meeting is required in order to rescind, alter or amend a Bye-law or make a new Bye-law. Further, no Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made unless the same shall have been proposed at a meeting of the Directors.

8.7 Directors

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his/her office of Director, or may act in a professional capacity to the Company on such terms as the Directors may determine.

A Director, notwithstanding his/her interest, may be counted in the quorum present at any meeting at which he/she or any other Director is appointed to hold any such office or position of profit under the Company or at which the terms of any such appointment are arranged, and he/she may vote on any such appointment or arrangement other than his/her own appointment or the arrangement of terms thereof.

No Director shall be disqualified by his/her office from contracting with the Company in any capacity, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established, provided that the nature of his/her interest is disclosed by him in accordance with the

Bye-laws. However, with certain exceptions, a Director shall not vote and shall not be counted in the quorum on respect of any contract or arrangement in which he/she is so interested and, if he/she shall vote, his/her vote shall not be counted.

There is no provision in the Bye-laws requiring a Director to retire by reason of any age limit and no share qualification for Directors.

8.8 Restrictions on Shareholders

The Directors shall have the power to impose such restrictions as they may think necessary for the purpose of ensuring that no Shares in the Company are acquired or held by any person or persons in circumstances (whether directly or indirectly affecting such person or persons, connected or not, or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Company incurring any liability to taxation or suffering any other pecuniary or commercial disadvantage which the Company might not otherwise have incurred or suffered (a “non-qualified person”).

If it comes to the notice of the Directors that any Shares are so held by any such non-qualified person, the Directors may give notice to such person requiring the redemption or transfer of such Shares in accordance with the provisions of the Bye-laws.

A person who becomes aware that he/she is holding or owning Shares in breach of any such restriction is required either to deliver to the Company a written request for the redemption of his/her Shares in accordance with the Bye-laws or to transfer the same to a person who would not thereby be a non-qualified person.

8.9 Indemnities

No Director or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act of conformity or for any loss or expense to the Company through the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any monies, securities or effects shall be deposited or for any loss occasioned by an error of judgement, omission, default or oversight on their part or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of their office or in relation thereto, unless the same happens through their own fraud or dishonesty.

Each Director, Secretary or other officer of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses which any such Director or officer may incur or become liable for by reason of any contract entered into, or act or thing done by him as such Director or officer, or in any way in the discharge of his/her duties, and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company, and have priority as between the members over all other claims

except as respects any such Director or officer where any such cost, loss or expense shall happen through his/her own fraud or dishonesty.

The Company has agreed to indemnify each of the Manager, the Custodian and the Administrator from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, expenses and disbursements of any kind or nature whatsoever (other than those resulting from fraud, wilful misconduct or gross negligence on the part of the Manager, Custodian and Administrator or any agent appointed by them) which may be imposed on, incurred by or asserted against the Manager, Custodian or Administrator, as the case may be, in performing their respective obligations or duties under the Management Agreement, Custodian Agreement or Administration Agreement.

8.10 Dividends

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No dividends shall bear interest as against the Company.

8.11 Contracts

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

- (i) the Management Agreement between the Company and the Manager dated 17 January 2002, pursuant to which the Manager has been appointed, manager of the company, as amended;
- (ii) a Custodian Agreement between the Company and the Custodian dated 16 January 2002, pursuant to which the Bank has been appointed Custodian of the assets of the Funds; and
- (iii) an Administration Agreement between the Company and HSBC Securities Services (Bermuda) Limited dated 16 January 2002, pursuant to which HSBC Securities Services (Bermuda) Limited has been appointed to provide accounting and valuation services and to act as registrar and transfer agent of the Company and to provide secretarial services to the Company.

8.12 Miscellaneous

- Ms. Faith Outerbridge is a Director of the Manager. The Manager receives the fees as mentioned under the “Charges & Expenses” section on page 27.
- The minimum amount which must be raised by the issue of Shares of each Fund now being offered in order to provide for the sums referred to in Section 28 of the Companies Act 1981 has already been raised and no further amount is necessary to be raised for that purpose.
- No events have occurred subsequent to the date of the most recent audited financial statements of the Company, and prior to the date of issue of this Prospectus which either provide material additional information relating to conditions that existed at the date of

the most recent audited financial statements of the Company or which caused significant changes to assets or liabilities relating to the Company or which will or may have a significant effect on the future operations of the Company.

- The Auditors have confirmed their acceptance of appointment as auditors of the Company.
- The Auditors have given and have not withdrawn their written consent to the inclusion of their name in this document as having accepted the appointment as auditors and the references to them in the form and context in which they are included.
- The Company does not have any subsidiaries.
- There are no existing or proposed service contracts between any of the Directors and the Company, but the Directors may receive remuneration as set out in this Prospectus. Save as disclosed in this document, no Director is materially interested in any contract or arrangement subsisting at the date hereof which is significant in relation to the business of the Company.
- No person has, or is entitled to be given, an option to subscribe for any Share or loan capital of the Company.
- Copies of the annual audited financial statements of the Company and each Fund (made up to 30 June in each year) will be sent to shareholders at their registered addresses not less than 21 days before the date fixed for the general meeting of the Company at which they will be considered. Annual general meetings will usually be held in Bermuda normally during the month of October or such other date as the Directors may determine. Notices convening each annual general meeting will be sent to shareholders together with the annual accounts and reports not later than 21 days before the date fixed for the meeting. Shareholders will also be sent copies of the interim reports on the Funds.
- The Company is not engaged in any litigation or arbitration proceedings and is not aware of any litigation or claim pending or threatened by or against it since incorporation.
- The Manager will pay associates, including the Bank, commissions based on the total net asset values of shares by any subscriber introduced to the Manager by such associates pursuant to an intermediary agreement entered into by the Manager and such associates.
- Any notice or document may be given by the Company to any shareholder either by delivering it to such shareholder in person or by sending it to such shareholder's address or to such other address given for the purpose. For this purpose, a notice or document may be sent by letter, mail, courier service, cable, telex, telecopier, facsimile, electronic mail or other mode of representing words in a legible form.

8.13 Inspection of Documents

Copies of the following documents will be available for inspection at any time during normal business hours on any day (excluding Saturdays, Sundays and Public Holidays) free of charge at the offices of the Company in Bermuda:

- 1) *The Companies Act, 1981* (as amended) of Bermuda;
- 2) the Memorandum of Association and Bye-laws of the Company;
- 3) the material contracts referred to above; and
- 4) the Auditors' letter of consent.

9.0 Procedure for Application

Initial application must be made by completing the relevant application form and returning to the Administrator.

Subsequent applications may be made by written instructions giving the exact name(s) of the account and stating:

- 1) the amount to be invested;
- 2) the Fund and Class(es) of Shares to be applied for; and
- 3) how payment has been or is being made.

Applications by facsimile must be confirmed by posting the original signed copy.

Payment for Shares must be made by electronic or telegraphic transfer. Applicants are advised whenever possible to apply by facsimile and to make payment by telegraphic transfer to avoid any delay in the allotment of their Shares. The Directors have the right to accept or reject (in whole or in part) any application for Shares.

Cleared funds must be received as specified in the relevant Supplement. If payment of the Subscription Price is not received by the relevant date, the application will be cancelled and any allotment of Shares made on the basis thereof will be cancelled. The costs of such cancellations shall be met by the applicant.