

# HSBC Managed Portfolios

*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 independent professional adviser.

This document comprises information relating to HSBC Managed Portfolios Limited (the “Company”), an open-ended investment company incorporated under the laws of Bermuda. The Company is structured as an umbrella portfolio with the share capital of the Company divided into different Classes of Shares with one or more Classes representing a separate Portfolio of 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 classified as a Bermuda Standard Scheme. As such, the Company is subject to regulation and supervision as provided for in The Bermuda Monetary Authority (Collective Investment Scheme Classification) Regulations 1998. 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 for the issue of up to 10,000,000 shares of US\$0.01 par value each. Approvals or permissions received from the Bermuda Monetary Authority do not constitute a guarantee by the Authority as to the performance of the scheme 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 of the Company, issued or to be issued, have been 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 regards 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 inquiries, 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 content 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.

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 US Person.

Shareholders are required to notify the Administrator, Management International (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.

It is intended that application may be made in various jurisdictions to enable the Shares of the Company to be marketed freely in these jurisdictions.

Investors should read and consider the risk discussion under “Risk Factors” before investing in the Company.

*11 October 2006*

# Contents

|     |  |    |      |  |    |
|-----|--|----|------|--|----|
| 1.0 | Directory.....                                     | 3  | 5.4  | Administrator.....   | 11 |
| 1.1 | Directors & Officers.....                          | 3  | 5.5  | Conflicts of Interest.....   | 11 |
| 1.2 | Secretary & Registered Office.....                 | 3  | 5.6  | Issue of Shares.....   | 11 |
| 1.3 | Manager.....                                       | 3  | 5.7  | Anti-Money Laundering.....   | 12 |
| 1.4 | Custodian & Banker.....                            | 3  | 5.8  | Transfer of Shares.....  | 12 |
| 1.5 | Management International<br>(Bermuda) Limited..... | 3  | 5.9  | Redemption of Shares.....  | 13 |
| 1.6 | Auditors.....                                      | 3  | 5.10 | Compulsory Redemption.....   | 13 |
| 1.7 | Legal Advisers.....                                | 3  | 5.11 | Conversion Between Portfolios (Switching).....                           | 14 |
| 1.8 | Bermuda Stock Exchange Listing Sponsor.....        | 3  | 5.12 | Publication of Prices.....   | 14 |
| 2.0 | Summary.....                                       | 4  | 6.0  | Charges & Expenses.....  | 14 |
| 2.1 | Offers.....  | 4  | 6.1  | Manager.....   | 14 |
| 2.2 | Investment Objective.....                          | 4  | 6.2  | Administrator & Custodian.....   | 14 |
| 2.3 | Issue of Shares.....                               | 4  | 6.3  | Directors.....   | 14 |
| 2.4 | Conversion of Shares (Switching).....              | 4  | 6.4  | Other Expenses.....  | 15 |
| 2.5 | Transfer of Shares.....                            | 4  | 7.0  | Taxation.....  | 15 |
| 2.6 | Redemption of Shares.....                          | 4  | 7.1  | Bermuda.....   | 15 |
| 2.7 | Compulsory Redemption.....                         | 4  | 7.2  | Other Jurisdictions.....   | 15 |
| 2.8 | Dividend Policy.....                               | 5  | 8.0  | General Information.....   | 15 |
| 3.0 | Definitions.....                                   | 5  | 8.1  | Calculation of Net Asset Value, Subscription &<br>Redemption Prices..... | 15 |
| 4.0 | Introduction.....                                  | 6  | 8.2  | Allocation of Assets & Liabilities.....                                  | 16 |
| 4.1 | Investment Objectives & Policies.....              | 6  | 8.3  | Suspension of Valuations & Dealings.....                                 | 17 |
| 4.2 | Investment Restrictions.....                       | 8  | 8.4  | Variation of Class Rights.....   | 18 |
| 4.3 | Borrowing & Leverage.....                          | 8  | 8.5  | Voting Rights.....   | 18 |
| 4.4 | Risk Factors – All Shares of Classes.....          | 8  | 8.6  | Directors.....   | 18 |
| 4.5 | Risk Factors – Alternative Investments Only.....   | 9  | 8.7  | Restrictions on Shareholders.....  | 18 |
| 4.6 | Dividend Policy.....                               | 9  | 8.8  | Indemnities.....   | 18 |
| 5.0 | Management & Administration.....                   | 9  | 8.9  | Contracts.....   | 19 |
| 5.1 | Directors.....                                     | 9  | 8.10 | Miscellaneous.....   | 19 |
| 5.2 | Manager.....                                       | 10 | 8.11 | Inspection of Documents.....   | 20 |
| 5.3 | Custodian & Banker.....                            | 10 | 9.0  | Procedure for Application.....   | 20 |

Distribution of this document is not authorized unless it is accompanied by a copy of the latest audited financial statements of the Company, if any, which form part of the Prospectus.

HSBC Investments (Bermuda) Limited (“ISBM”) of 6 Front Street, Hamilton, Bermuda, is a wholly owned subsidiary of The Bank of Bermuda Limited (the “Bank”), which is a member of the HSBC Group. Both ISBM and the Bank are licensed to conduct investment business by the Bermuda Monetary Authority.

Funds managed by ISBM are offered by Prospectus only in those jurisdictions where they are permitted by law. Persons are required to inform themselves and observe any relevant restrictions. ISBM makes no representation as to the suitability of the funds for investors.

Investors should be aware that performance returns are affected by market fluctuations. Investing entails risks, including possible loss of principal. Past performance is no guarantee of future performance. 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. It is the aim of the Company to preserve capital and, where applicable, to maintain a stable net asset value per share; these aims are not guaranteed. Additionally, investors should consider their investment objectives, whether or not they can assume these risks and should undertake their own appropriate professional advice.

# 1.0 Directory

## 1.1 Directors & Officers

Gonzalo E. Jalles (President)  
Head of Investments  
The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda

Wayne P. Chapman (Vice President)  
Head of Private Clients  
The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda

William Graham Welton  
Head of Corporate Banking  
The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda

John A. Hawkins, FCA  
Retired Executive Vice President  
The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda

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

William D. Thomson  
Retired Executive Vice President  
The Bank of Bermuda Limited  
Suite 733, 48 Par-la-Ville Road  
Hamilton HM 11, Bermuda

## 1.2 Secretary & Registered Office

Management International (Bermuda) Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda

## 1.3 Manager

HSBC Investments (Bermuda) Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda

## 1.4 Custodian & Banker

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda  
Administrator

## 1.5 Management International (Bermuda) Limited

Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, Bermuda  
Telephone: + 441 299 5418  
Facsimile: + 441 299 6061  
Email: bob.ifs.investor.services@bob.hsbc.com

## 1.6 Auditors

Ernst & Young  
Reid Hall  
3 Reid Street  
Hamilton HM 11, Bermuda

## 1.7 Legal Advisers

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

## 1.8 Bermuda Stock Exchange Listing Sponsor

Bermuda International Securities Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM 11, 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”) at prices based upon the Net Asset Value per Share.

HSBC Managed Portfolios Limited (the “Company”), formerly All Points Managed Portfolios Limited, has been incorporated in Bermuda as an exempted 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 Company is structured as an umbrella portfolio with Shares of the Company divided into different Classes each related to a base currency with one or more Classes representing a separate Portfolio of the Company. Each Portfolio in the Company will have its own specific investment policy.

Shares are currently available in several classes in each of the following portfolios (each a “Portfolio”):

- Income and Growth Portfolio – USD
- Balanced Portfolio – USD
- Capital Growth Portfolio – USD
- Strategic Equity Portfolio – USD

The classes (each, a “Class”) currently available are:

- Income & Growth USD: Class A – Dividend; Class A – Accumulating; and Class I – Accumulating
- Balanced USD: Class A – Dividend; Class A – Accumulating; and Class I – Accumulating
- Capital Growth USD: Class A – Accumulating; and Class I – Accumulating
- Strategic Equity USD: Class A – Accumulating; and Class I – Accumulating

The directors may create additional classes at their discretion from time to time.

### 2.2 Investment Objective

The principal objective of the Company is high total return over time consistent with an emphasis on capital growth and income while attempting to limit risk through investment in a diversified portfolio of mutual funds. The Company will primarily invest in HSBC funds, and will offer various Classes of Shares with one or more Classes related to a separate Portfolio within the Company.

### 2.3 Issue of Shares

The Shares are available for subscription pursuant to this Prospectus on each Dealing Day. 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.

Shares will be issued at a Subscription Price based upon the Net Asset Value per Share of the relevant Class as of the next 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 5% of the aggregate subscription amount may be 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 subscription in the Company is US\$10,000 in the case of Class A shares and US\$200,000 in the case of Class I shares, or such other amount as the Manager, in its absolute discretion may determine either in any particular case or generally. The Manager is entitled in its absolute discretion from time to time to accept or reject any application for any Shares.

### 2.4 Conversion of Shares (Switching)

Shares of any Portfolio or Class can be converted to Shares of any other Portfolio or Class 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, if applicable,) and the Net Asset Value per Share of the Class into which the holder is converting.

### 2.5 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 US\$10,000 in the case of Class A shares and US\$200,000 in the case of Class I shares subject to the Manager’s sole and absolute discretion in any particular case or generally, of the relevant Class of Shares.

### 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 following 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 US\$10,000 in the case of Class A shares and US\$200,000 in the case of Class I shares or such other amount as the Manager in their absolute discretion may determine either in any particular case or generally.

### 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.

## 2.8 Dividend Policy

As the primary objective of the Company is capital growth, the income yield of the Portfolios' investments will vary based on the Portfolio's objectives and interest rate environment. It is the intention of the Directors to declare a dividend semi-annually with respect to the Income and Growth Portfolios and the Balanced Portfolios. With respect to the Accumulating Share Class, shareholders do not receive dividends since their share of income or profits are accumulated and reflected in the Net Asset Value per Share.

**The details on this page are in summary form only and must be read in conjunction with the detailed information in this Prospectus.**

## 3.0 Definitions

"Accumulating Share Class" means any Class of Shares, which does not pay dividends and whose share of income or profits are accumulated and reflected in the weekly Net Asset Value per Share.

"**Administrator**" means Management International (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.

"**Class**" means a Class of Shares in the Company, one or more of which participates in a separate Portfolio.

"**Custodian**" or "**Bank**" means The Bank of Bermuda Limited.

"**Dealing Day**" means Wednesday of each week (or if any such Wednesday is not a Business Day, the next following Business Day) and/or such other day or days as the Directors may determine.

"**Director**" means a Director of the Company or any duly authorised committee thereof.

"**Duties and Charges**" means, in relation to any Portfolio, all stamp and other duties, taxes, governmental charges, brokerage, bank charges, interest, custodian or sub-custodian charges (relating to sales and purchases), transfer fees, registration fees and other duties and charges. This shall apply whether in connection with the original acquisition or increase of the assets of the relevant Portfolio or the creation, issue, sale, conversion or repurchase of Shares or the sale or repurchase of investments or in respect of certificates or otherwise which may have become or may be payable in respect of or prior to or in connection with or arising out of or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable. However, the foregoing shall not include any commission payable to agents on sales and purchases of Shares or any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of Shares in the relevant Portfolio.

"**Manager**" means HSBC Investments (Bermuda) Limited.

"**Minimum Holding**" means the minimum initial subscription amount for each Class of Shares in the capital of the Company in each Fund as specified on pages 11 and 12 or such other minimum initial subscription amount as the Manager may determine from time to time in any particular case or generally.

"**Minimum Transaction Amount**" means the minimum amount for subsequent transactions for each Class of Shares in the capital of the Company in each Fund as specified on page 12 or such other minimum subsequent transaction amount as the Manager may determine from time to time in any particular case or generally.

"**Net Asset Value**" means the Net Asset Value of the Company or the Net Asset Value of a Portfolio, as appropriate, determined in accordance with the Bye-laws.

"**Net Asset Value per Share**" means the Net Asset Value of a Portfolio divided by the number of Shares (in issue) of the relevant Portfolio subject to such adjustment, if any, as may be required where there is more than one Class of Shares in the Portfolio.

"**Portfolio**" means a separate pool of assets established and maintained by the Company in connection with one or more Class(es) of Shares created for issue and within which all assets attributable to the holders of the relevant Class or Classes of Shares shall be held and invested in accordance with the investment objectives attributable to such Portfolio.

"**Redemption Price**" means the Net Asset Value of the relevant Portfolio to which is added such sum as the Directors may consider represents an appropriate figure for Duties and Charges, divided by the number of Shares of the relevant Portfolio in issue subject to such adjustment, if any, as may be required where there is more than one Class of Shares in the Portfolio 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 Portfolio from which is deducted such sum as the Directors may consider represents an appropriate figure for Duties and Charges, divided by the number of Shares of the relevant Portfolio in issue subject to such adjustment, if any, as may be required where there is more than one Class of Shares in the Portfolio and rounded to two decimal places.

"**US\$**" or "**USD**" or "**US Dollars**" means the lawful currency for the time being of the United States.

"**US Person**" is as defined on the Company's Application Form.

"**Valuation Day**" means the Business Day in each week immediately following the Dealing Day and/or such other day or days as the Directors may determine.

## 4.0 Introduction

HSBC Managed Portfolios Limited, formerly All Points Managed Portfolios Limited, is a mutual fund company incorporated with limited liability in Bermuda and with unlimited duration on 23 August 2002, in accordance with *The Companies Act 1981*. The name of the Company was changed to HSBC Managed Portfolios Limited on 31 December 2004. 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 Company is structured as an umbrella fund in that different Portfolios may be established with the prior approval of the Directors and Shares of the Company may be divided into several Classes with one or more Classes related to a Portfolio within the Company. There are currently four Portfolios, the details of which are set out in this document. The Shares of each Class allocated to a Portfolio will rank *pari passu* with each other in all respects except as to all or any of the following: currency of denomination of the Class (base currency); dividend policy; the level of fees and expenses to be charged; and the minimum subscription and minimum holding applicable.

The assets of each Portfolio will be separate from one another and will be invested in accordance with the investment objectives and policies applicable to each such Portfolio. Particulars relating to the existing Portfolios are set out in this Prospectus. Each of the existing Portfolios currently has one Class only attributable thereto. The share price of each Portfolio shall at all times equal its Net Asset Value. The base currency of each Portfolio, and each Class related to a Portfolio, will be determined by the Directors and, in the case of the existing Portfolios, is set out on page 4 of this Prospectus.

The Company is managed by HSBC Investments (Bermuda) Limited, formerly Bermuda International Investment Management Limited, a wholly-owned subsidiary of The Bank of 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 Portfolios attributable thereto. At present the Company has available for issue Shares in the Classes described in this Prospectus.

The Directors may, from time to time, determine when a Class is open or closed for subscription. The Company has the power to issue and redeem its Shares at prices based upon the Net Asset Value of the underlying Portfolio. Details concerning issues and redemptions and the calculation of the applicable Subscription and Redemption Prices are set out below.

The proceeds of issue of Shares of any one or more Classes are paid to the relevant Portfolio, the assets of which are held

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

It should be remembered that the price of Shares may 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 "Issue of Shares") 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

- 1) the possible tax consequences;
- 2) the legal requirements; and
- 3) 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 & Policies

The principal objective of the Company is high total return over time consistent with an emphasis on capital growth and income while attempting to limit risk through investment in a diversified portfolio of mutual funds. The Company will seek to achieve the objectives on behalf of each Portfolio primarily through investment in HSBC funds.

HSBC funds include HSBC Investment Solutions plc, an open-ended investment company with variable capital organised under the laws of Ireland, and HSBC Fund of Funds Limited, which is an open-ended investment company incorporated under the laws of Bermuda. HSBC Investment Solutions plc offers several portfolios with various investment objectives including capital growth through investing in US, UK, European and Asian equity markets and income objectives through investing in global government bonds, corporate bonds and emerging market debt. The Manager of HSBC Investment Solutions plc (HSBC Investments (UK) Limited) appoints investment advisers who are believed to offer expertise in the assigned asset class under a clearly specified investment objective.

HSBC Fund of Funds Limited contains the Alternative Class in which the Company intends to invest. The investment objective of the Alternative Class is to achieve absolute returns by investing in a diversified portfolio of

hedge funds. Hedge funds contain special risks that should be understood by the shareholders.

The manager may also elect to invest in other HSBC funds, or funds outside of the HSBC Group, and may receive additional management fees on the Company's assets invested in those funds, directly from those funds. Such fees shall be credited, on a pro-rata basis, to the applicable portfolio from which the fee was derived.

It is anticipated that a significant portion of the assets of each Portfolio will be invested in the relevant portfolios of HSBC Investment Solutions plc, an open-ended investment company with variable capital organised under the laws of Ireland. HSBC Investment Solutions plc has been authorised as a UCITS within the meaning of the European Communities (Undertakings for Collective Investment In Transferable Securities) Regulations, 1989 (S.I. No. 78 of 1989) of Ireland (as amended) and any notices or regulations issued by the Central Bank of Ireland and has been authorised by the Central Bank of Ireland. HSBC Investment Solutions plc is also structured as an umbrella fund with different portfolios. The Prospectus relating to the offering of shares of HSBC Investment Solutions plc may be obtained from the Administrator, Management International (Bermuda) Limited.

The Manager does not intend to invest any of the assets of any Portfolio directly in single strategy alternative investment funds (hedge funds) but may invest in hedge fund of funds, i.e. investment funds which themselves invest in other alternative investment funds or hedge funds such as the Alternative Class of HSBC Fund of Funds Limited.

Each Portfolio will have its own investment objective and asset allocation parameters:

**Income & Growth Portfolio – USD**

Primary objective: income with a secondary emphasis of capital growth through investing in a balanced portfolio of primarily HSBC funds. This Portfolio offers the lowest risk and lowest potential returns over time compared with the other Portfolios.

*Base currency: US dollars.*

*Asset allocation parameters*

| Asset Class | Min. % | Target % | Max. % |
|-------------|--------|----------|--------|
| Bonds       | 40     | 60       | 80     |
| Equities    | 15     | 30       | 55     |
| Alternative | 0      | 5        | 15     |
| Cash        | 0      | 5        | 20     |

**Balanced Portfolio – USD**

Primary objective: income and capital growth through investing in a balanced portfolio of primarily HSBC funds. These Portfolios offer moderate risk and potential return over time.

*Base currency: US dollars.*

*Asset allocation parameters*

| Asset Class | Min. % | Target % | Max. % |
|-------------|--------|----------|--------|
| Bonds       | 20     | 35       | 60     |
| Equities    | 35     | 55       | 75     |
| Alternative | 0      | 10       | 20     |
| Cash        | 0      | 0        | 20     |

**Capital Growth Portfolio – USD**

Primary objective: capital growth with a secondary emphasis on income through investing in a balanced portfolio of primarily HSBC funds. This Portfolio offers higher risk and higher potential return over time compared to other Portfolios.

*Base currency: US dollars.*

*Asset allocation parameters*

| Asset Class | Min. % | Target % | Max. % |
|-------------|--------|----------|--------|
| Bonds       | 10     | 20       | 40     |
| Equities    | 50     | 70       | 85     |
| Alternative | 0      | 10       | 20     |
| Cash        | 0      | 0        | 15     |

**Strategic Equity Portfolio – USD**

Primary objective: capital growth through investing in a diversified international portfolio of primarily equity and alternative funds of the HSBC funds. This Portfolio offers the highest risk and highest potential return over time compared to other Portfolios.

*Base currency: US dollars.*

*Asset allocation parameters*

| Asset Class | Min. % | Target % | Max. % |
|-------------|--------|----------|--------|
| Bonds       | 0      | 0        | 0      |
| Equities    | 75     | 90       | 100    |
| Alternative | 0      | 10       | 20     |
| Cash        | 0      | 0        | 10     |

The Manager will determine the asset allocations for the Portfolios based on economic outlook, interest rates and market conditions. Generally, the asset allocation will not deviate more than plus or minus 10% from the stated benchmark under normal market conditions. The Manager may have different asset allocations for each similar Portfolio to reflect a US home country bias.

It is intended that the Company will invest in mutual funds denominated in US dollars, sterling and euro. The Manager may enter into currency hedging strategies to protect against currency exchange fluctuations in the Company's assets and liabilities.

**There can be no assurance that the investments of the Portfolios will be successful or that the objectives of the Company will be attained.**

## 4.2 Investment Restrictions

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

- 1) invest more than 25% of the gross assets of the Portfolio in other funds of funds;
- 2) invest in less than five mutual funds;
- 3) make investments which will result in the Company exercising legal or management control of any entities in which its underlying investments are made;
- 4) invest directly in options, futures, forward contracts for speculative purposes, i.e. they must not constitute an investment in their own right;
- 5) acquire any asset or investment which would involve the assumption of unlimited liability unless a corresponding hedge transaction is entered into in respect to that asset or investment; and
- 6) 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 Manager.

The Manager may also from time to time impose such further investment restrictions as may be compatible with or be in the interest of the shareholders in order to comply with the laws and regulations of the countries where shareholders of the Company are located or the Shares are marketed.

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 realisation of investments or fluctuations in exchange rates. However, if these limits are exceeded, the Company may not add further to such investments.

## 4.3 Borrowing & Leverage

Although the Company does not currently intend to leverage any of its Portfolios, it is authorised to borrow up to 10% of the value of the net assets of a Portfolio from banks and other financial institutions in order to meet requests for redemption or when funds are required for investment. Such loans may be secured by assets of the Company mortgaged, charged or pledged to such lenders. 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.

## 4.4 Risk Factors – All Shares of Classes

### Foreign Exchange

Investors should be aware that investments in a Portfolio 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.

Investors should be aware that the assets of a Portfolio may be invested in securities of companies denominated in, and income would be received by the Portfolio in, a variety of currencies. The value of assets of the Portfolio, as measured in its base currency, may be affected unfavourably by fluctuations in currency rates.

The Manager may employ currency hedging strategies that may include forward contracts, options and swap agreements. There is no guarantee that the Manager will be successful in mitigating currency exchange risk by employing these methods. Forward contracts and swap agreements involve counterparty risk which is the inability of a party to deliver or purchase the security as contractually agreed. Failure of the counterparty to fulfil its obligations can result in losses for the Company.

### Calculation of Net Asset Value

When calculating the Net Asset Value of a Portfolio, the Directors may rely upon net asset value calculations or estimated Net Asset Value calculations produced by underlying funds which the Portfolio has invested in. Such information may be inaccurate and/or incomplete, thus resulting in inaccurate computations of the Portfolio'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 Portfolios 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 Portfolio 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 Portfolio could be adversely affected by the insolvency or similar financial difficulties affecting any institution with which the cash of the relevant Portfolio has been deposited, or any issuer whose securities are held by the relevant Portfolio.

## 4.5 Risk Factors – Alternative Investments Only

The Company will invest in funds that invest in alternative investment funds or hedge funds. It is intended that only a small percentage of any Portfolio of the Company will be invested in these funds but special risks are associated with these investments.

### Futures

Alternative investment funds may invest in derivatives such as futures which give rise to substantial leverage, as normal market practice in these markets requires the payment of a deposit only when entering into a market position. The deposits required are typically 10% or less 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 leverage are subject to a number of risks and may be regarded as speculative. Investors should therefore be aware that leveraged trading may result in the risk of substantial losses as well as the possibility of substantial gains.

### Options

Alternative investment funds may invest in options which can, in certain circumstances, substantially increase the impact of adverse price movements on the relevant Portfolio. Purchasing put and call options, as well as writing such options, while often utilised to hedge investments, are highly specialised activities and entail greater than ordinary investment risks.

### Short Sales

Alternative investment funds may engage in short sales, which entail special risks. If the market price of a security that the alternative investment fund has sold short increases between the date of sale and the date on which the fund must deliver or replace the security, a loss will occur on that transaction. Short selling involves selling securities which may or may not be owned, 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 profit from any declines in the market prices of the securities it sells short to the extent such declines exceed the transaction costs and the costs of borrowing the securities. However, because the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the securities would result in a loss.

## 4.6 Dividend Policy

It is the intention of the Directors of the Company to declare semi-annual dividends with respect to the Income & Growth Portfolio and Balanced Portfolio, the amount of which may fluctuate depending on market conditions.

The Directors are empowered to declare and pay dividends on any Class of Shares in the Company. It is intended that at least 85% of each of the Income & Growth and Balanced

Portfolios net investment income return (i.e. income from dividends, interest or otherwise, less that Portfolio's accrued expenses to be certified for the accounting period) will be distributed by way of dividend. Dividends will normally be declared on a semi-annual basis. Dividends will be paid by telegraphic transfer or cheque by post, in accordance with the instructions of the shareholder as set out in the Application Form. With respect to the accumulating share classes, shareholders do not receive dividends since their share of income or profits are accumulated and reflected in the Net Asset Value per Share. The dividend policy in respect of any new Class will be set out in the relevant Supplemental Prospectus.

Subject to the statutory test, dividends may be paid out of net income or net realised investment gains at the sole discretion of the Directors. The test is that the Company shall not declare or pay a dividend, if there are reasonable grounds for believing that:

- 1) the Company is or would after the payment, be unable to meet its liabilities as they become due; or
- 2) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

### Payment of Dividends

Dividends payable to holders of Class A - Dividend shares will be paid in the base currency of the relevant Portfolio unless otherwise agreed to by the Administrator. Any dividend paid on a Class A - Dividend share that is not claimed will not earn interest and, if not claimed within six years of its declaration, will be forfeited and will be escheated for the benefit of the relevant class of the relevant Portfolio.

## 5.0 Management & Administration

### 5.1 Directors

**Gonzalo E. Jalles**, Argentinean, has been Managing Director of HSBC Investments (Bermuda) Limited since August 2004. Mr. Jalles originally joined HSBC in February 2000 as a manager of the HSBC public pension fund in Argentina with assets under management over \$3 billion.

Later he was appointed Chief Investment Officer of Asset Management in Argentina before locating to London to assume a global management role. Prior to joining HSBC, he worked at Santander Investments, developing the firm's asset management business for over five years and creating the second largest asset manager in Argentina. Mr. Jalles has a degree in economics and a Masters degree in Finance. He also holds a Chartered Financial Analyst designation.

**Wayne P. Chapman**, British, is Head of Private Clients of The Bank of Bermuda Limited. Mr. Chapman joined the Bank of Bermuda in 1980 as a Fund Accounting Supervisor and held several management positions within Corporate

Trust, Bermuda, until his 1994 secondment to the Bank's Luxembourg office as Head of Corporate Trust Services, Europe. In 1996, he was appointed Managing Director of the Luxembourg office. Mr. Chapman returned to Bermuda in July 1997 and assumed the position of Senior Vice President of Investment Services. In 2001, he became the Head of Private Clients Services. Mr. Chapman holds degrees in Business and Financial Services.

**William Graham Welton**, British, is Managing Director and Head of Corporate Banking of The Bank of Bermuda Limited. Previous positions at Bank of Bermuda have included Head of Capital Markets, Head of Corporate Credit and Director, Corporate Finance. Mr. Welton joined the Bank in 1997, having spent the previous 10 years as a structured finance specialist and relationship manager for Barclays de Zoete Wedd, the Industrial Bank of Japan and First Chicago, based primarily in London and Hong Kong. Mr. Welton is a graduate of the University of Southampton in England, with a BSc. Honours in Economics, Accounting and Law.

**John A. Hawkins**, British, retired as Executive Vice President of The Bank of Bermuda Limited in June 2001, after 25 years of service. Mr. Hawkins continues to act in a consultancy capacity to The Bank of Bermuda Group and is a director of a number of the Bank's subsidiary companies and a number of investment and mutual fund companies. Mr. Hawkins is a Fellow of the Institute of Chartered Accountants of England and Wales.

**Julie E. McLean**, British, is a partner in the Corporate Department of Conyers Dill & Pearman in Bermuda, which she joined in 1993. Ms. McLean also spent two years in the firm's Hong Kong office specializing 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.

**William D. Thomson**, British, retired as Executive Vice President of The Bank of Bermuda Limited in October 1994, after 40 years of service. He is a director of a number of insurance, shipping, investment and mutual fund companies. He is also a member of the corporation of the Bermuda Biological Station and a past Chairman of the Bermuda International Business Association as well as a Fellow of the Institute of Directors.

**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 HSBC Investments (Bermuda) Limited, formerly Bermuda International Investment Management Limited, as its Manager, under an agreement between the Company and the Manager (the "Management Agreement"), with responsibility for the management of the Company and the supervision of the administration of the Company.

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 31 December 2004. The current Directors of the Manager are Mr. Gonzalo E. Jalles, Mr. Wayne P. Chapman (also Directors of the Company), Mr. Philip M. Butterfield, Mrs. Faith A. Outerbridge and Mr. Steven J. Baker.

The appointment of the Manager will continue unless and until determined, inter alia, by either the Company giving the Manager or the Manager giving the Company at least 60 days' notice of termination in writing.

The Manager or its designated distribution agent through whom Shares may be sold is entitled to receive a placing fee, a conversion fee and also a monthly management fee from the Company, the details of which are given in the "Charges & Expenses" section on page 14. The Manager pays the fees of the Custodian and Administrator out of such fees.

In making or disposing of investments on behalf of any Portfolio, 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 Portfolios. 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 & Banker

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

The appointment of the Bank as Custodian may be terminated by either the Bank 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 custody fee from the Manager. See the details of which are given in the "Charges & Expenses" section on page 14.

The Company has also appointed the Bank as its banker on the Bank's normal banking terms for customers (as regards bank charges, interest and other matters). As banker to the Company, the Bank is responsible for executing banking and financial transactions for the account of the Company and its Portfolios.

The Bank 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.

## 5.4 Administrator

The Company has appointed Management International (Bermuda) Limited to act as administrator, registrar and transfer agent and secretary of the Company. Under an agreement between the Company and Management International (Bermuda) Limited (the “Administration Agreement”), Management International (Bermuda) Limited is responsible for maintaining the register of shareholders for the issue, conversion, redemption and transfer of Shares in the Company, for the periodic calculation of the Net Asset Value per Share of each of the Portfolios, for maintaining the books and records of the Portfolios, for providing company secretarial services and for the general administration of the Company. Management International (Bermuda) Limited is a wholly-owned subsidiary of the Bank.

The appointment of Management International (Bermuda) Limited may be terminated by either Management International (Bermuda) Limited or the Company giving not less than 60 days’ notice in writing.

The Administrator is entitled to receive an administration fee from the Company, the details of which are given in the “Charges & Expenses” section on page 14.

## 5.5 Conflicts of Interest

Due to the widespread operations undertaken or which in the future may be undertaken by the Directors, the Manager, any investment advisers appointed by the Manager, the Administrator and the Custodian and their respective holding companies, subsidiaries, affiliates, employees, officers, directors and shareholders (each an “interested party”), conflicts of interest may arise.

An interested party may contract or enter into any financial, banking or other transaction including, without limitation, investment in securities of a shareholder or any company or body any of whose investments form part of the assets comprised in any Portfolio or be interested in any such contract or transaction and may invest in and deal with the Shares of any Portfolio or property of any kind included in the assets of the Company.

An interested party may provide similar services to others provided that the services that they provide to the Company are not impaired thereby. In particular, the Manager is also the manager of a number of the HSBC funds, particularly HSBC Fund of Funds Limited. Additionally, affiliates of the Administrator and the Custodian also provide similar services to the various HSBC funds.

In the event that a conflict of interest does arise, the Directors, the Manager and the investment advisers, will endeavour, so far as they are reasonably able, to ensure that it is resolved fairly and that investment opportunities are allocated on a fair and equitable basis.

## 5.6 Issue of Shares

Shares may be allotted by the Company on Dealing Days following the initial offering period. 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 based on the Net Asset Value per Share calculated at the close of business on the next Valuation Day and rounded to two decimal places. Where, at the time of the application for Shares, there are no Shares of the relevant fund 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% 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.

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 Manager, 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 regulations and failure to provide the necessary evidence may result in applications being rejected or in delays in the dispatch of documents and for the issue of Shares.

Completed applications for Shares of any Class must be received by the Manager by 12:00 noon (Bermuda time) on the relevant Dealing Day. Payment for Shares in cleared funds must also be received by the Custodian by such time on the relevant Dealing Day.

Applications for the issue of Shares may only be accepted in respect of Portfolios which the Directors have declared open for subscription. The Directors have complete discretion to declare from time to time which individual Portfolios 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 a share certificate.

Subject to the Manager’s sole and absolute discretion in any particular case or generally, the minimum initial subscription and the minimum amount for subsequent transactions for Shares are as follows:

| Class       | Initial     | Subsequent |
|-------------|-------------|------------|
| Class A USD | US\$10,000  | US\$5,000  |
| Class I USD | US\$200,000 | US\$10,000 |

Subscription monies are payable in the base currency of the relevant Portfolio. However, the Company may accept payment in such other currencies as the Administrator may agree at the prevailing exchange rate quoted by the Company’s bankers. The cost and risk of converting currency will be borne by the applicant.

For investors in the Company through participation in the Investment Savings Plan offered by the Bank, the minimum initial subscription in any Class of Shares (with the exception of the I Class) of the Company is US\$2,500. Minimum contributions thereafter for plan investors is US\$250 for the duration of the plan term, or such other amount as the Manager in its sole and absolute discretion may determine either in any particular case or generally.

All Shares will be registered in inscribed form and evidenced by entry on the Company's Register of shareholders and confirmations of ownership in writing will be issued to shareholders. Certificates will not be issued.

If an application is rejected, any monies received will be returned to the applicant (minus any handling charge incurred in any such return) as soon as possible by post or telegraphic transfer (but without interest, costs or compensation).

No Shares of any Portfolio will be issued or allotted during a period when the determination of Net Asset Value of that Portfolio is suspended.

## 5.7 Anti-Money Laundering

As part of the Administrator's responsibility for the prevention of money laundering, the Company, the Administrator, 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 recognised financial institution which is regulated by a recognised authority and carries on business in a country listed in Appendix A, "Foreign Regulated Institutions" in the Guidance Notes on the Prevention of Money Laundering; or
- 2) the application is made through a recognised intermediary which is regulated by a recognised regulatory authority and carries on business in a country recognised in Appendix A, "Foreign Regulated Institutions" in the Guidance Notes on the Prevention of Money Laundering. 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.

These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised as having sufficient anti-money laundering regulations. In the case of section 1, to avoid any delays, in any confirmation sent, the applicant should ensure that its remitting bank includes the applicant's full name and account number.

By way of example an individual may be required to produce a copy of a passport or identification card duly certified by 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 the equivalent), signatory list, 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 and/or Manager 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 Manager or the Company may refuse to accept the application and the subscription monies relating thereto.

If any person who is resident in Bermuda (including the Administrator and/or Manager) 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 *Proceeds of Crime Act 1997*.

The procedure for application is set out at the end of this document on page 20.

## 5.8 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 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 transfers may be made which would result in either the transferor or the transferee being registered as the holder of Shares of any Portfolio having a value of less than US\$10,000 in the case of Class A shares and US\$200,000 in the case of Class I shares or such other amount as the Manager in their absolute discretion may determine either in any particular case or generally. The Manager may also decline to recognise any transfer unless it is deposited at the registered office of the Company or such other place as the Manager may appoint, any such other evidence as the Manager 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.

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

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.

## 5.9 Redemption of Shares

Subject to any suspension of the determination of the Net Asset Value of any Portfolio (see “Suspension of Valuations and Dealings”) and subject as mentioned below, Shares may be redeemed either:

- 1) by letter to the Administrator or the Bank at the address set out on page 3;
- 2) by facsimile to the Administrator or the Bank at the numbers set out on page 3; or
- 3) by email with scanned signatures to the Administrator or the Bank at the email address set out on page 3.

Requests for redemption are (save as determined by the Administrator) irrevocable and should state the number of Shares, or value, in the Portfolio(s) to be redeemed and the name in which such Shares are registered, should be for not less than US\$5,000 in the case of Class A shares and US\$10,000 in the case of Class I shares, subject to the Manager’s sole and absolute discretion in any particular case or generally. Requests for redemption must be received by 12:00 noon (Bermuda time) on the relevant Dealing Day or by such other time on such other day on or preceding the relevant Dealing Day as the Directors, in their absolute discretion may determine either in any particular case or generally. If the redemption request is received after that time, it shall be treated as a request for redemption on the Dealing Day following such receipt and Shares will be redeemed at the Redemption Price for that day.

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

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

A shareholder redeeming Shares will be paid an amount equal to the Redemption Price relevant to those Shares (as to the calculation of which see pages 15 and 16). Subject to the above, the Bye-laws provide that payment of the redemption monies by cheque shall be made in the base currency of the relevant Portfolio unless otherwise agreed by the Administrator. Proceeds will be dispatched to the redeeming shareholder at their risk generally within six Business Days after the relevant Dealing Day or after receipt of all necessary completed documentation (including the signed original application form) whichever is the later.

In the event that redemption requests are received for the redemption of Shares of any Class representing in the aggregate more than 10% of the total number of Shares of the relevant Class outstanding, the Company will be entitled to reduce the requests rateably 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 % 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% 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 Net Asset Value per Share prevailing on the Valuation Day immediately following the Dealing Day on which they are redeemed.

Arrangements can be made for shareholders wishing to have their Shares redeemed to receive payment by wire/telegraphic transfer. In circumstances where redemption proceeds are to be paid by wire/telegraphic transfer to a designated bank account in the name of the shareholder(s), 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 adequate instructions are not received by the Administrator, payment of those monies will be made by cheque. Payments cannot be made to any third party.

A shareholder may also request payment of his/her redemption monies in a currency other than the base currency. 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 Manager 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 Portfolio having a value of less than US\$10,000 in the case of Class A shares and US\$200,000 in the case of Class I shares or such other amount as the Manager in its absolute discretion may determine either in any particular case or generally.

The Manager may elect to purchase Shares presented for redemption at a price not less than the Net Asset Value applicable 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 Portfolio and to distribute such assets in satisfaction or part satisfaction of the monies payable on redemption of Shares.

## 5.10 Compulsory Redemption

The Bye-laws of the Company empower the Directors in their sole and absolute discretion to compulsorily redeem all or a portion of a shareholder’s Shares at any time at the relevant

Redemption Price per Share. The Directors anticipate exercising such powers if, among other things, as a result of any transfer or conversion or redemption, a shareholder's holding of Shares falls below a Net Asset Value of US\$10,000 in the case of Class A shares and US\$200,000 in the case of Class I shares or such other amount as the Directors in their absolute discretion may determine either in any particular case or generally, or if to do so, in the Directors' sole opinion, would eliminate or reduce the exposure of the Company or any Portfolio 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 Portfolio or the shareholders. The Directors are required by the Company's Bye-laws to give 30 days' written notice to shareholders before exercising this power.

The Bye-laws of the Company 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 remaining in issue at any time for any reason, at the Redemption Price per Share. The Directors are required by the Company's Bye-laws to give 30 days' written notice to shareholders before exercising this power.

### 5.11 Conversion Between Portfolios (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 Portfolio (see "Suspension of Valuations and Dealings" on page 17) to convert all or part of their holding of any one Portfolio or Class into Shares of another Portfolio(s) or Class(es) by giving notice to the Manager in writing or by facsimile of their requirements.

Conversion will be effected on the next Dealing Day falling after receipt of such conversion request. Any such conversion request received after 12:00 noon (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 is permitted provided it would not result in the shareholder remaining registered as a holder of Shares of any Portfolio having a value of less than US\$10,000 in the case of Class A shares and US\$200,000 in the case of Class I shares or such other amount as the Manager in its sole and absolute discretion may determine either in any particular case or generally.

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, if applicable) and the Net Asset Value per Share of the Class into which the holder is converting.

### 5.12 Publication of Prices

The latest Subscription Prices of Shares 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 Administrator.

## 6.0 Charges & Expenses

### 6.1 Manager

Under the terms of the Management Agreement, as amended, the Manager is entitled to receive from the relevant Portfolio, in addition to the placing fee, a quarterly management fee currently calculated at the rates outlined below of the average of the weekly value of the net assets of each Portfolio during the month. The current rates are as follows:

| Portfolio          | Initial  | Subsequent |
|--------------------|----------|------------|
| Income and Growth  | Class AD | 1.95%      |
| Income and Growth  | Class AC | 1.95%      |
| Income and Growth  | Class IC | 1.60%      |
| Balanced Portfolio | Class AD | 2.15%      |
| Balanced Portfolio | Class AC | 2.15%      |
| Balanced Portfolio | Class IC | 1.85%      |
| Capital Growth     | Class AC | 2.20%      |
| Capital Growth     | Class IC | 1.90%      |
| Strategic Equity   | Class AC | 2.30%      |
| Strategic Equity   | Class IC | 1.95%      |

(In the above, "AD" means Class A – Dividend; "AC" means Class A – Accumulating; and "IC" means Class I – Accumulating)

The maximum management fee for each Portfolio permitted under the terms of the Management Agreement is 2.50% per annum in the case of each Class. If the current fee is to be changed, the Manager will give one month's notice.

### 6.2 Administrator & Custodian

The administration fees are currently calculated at a rate of 0.1% per annum (subject to a minimum). The custodian fees are calculated on a per-transaction basis. The Manager is responsible for the fees of the Administrator and the Custodian.

### 6.3 Directors

Each Director 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 in any financial year 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 traveling, hotel and other expenses properly incurred by them in attending meetings of the Company.

## 6.4 Other Expenses

In addition, the Company 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 of semi-annual and annual reports and statements.

The above expenses shall be charged as between each Portfolio and Class thereof on such terms and in such manner as the Directors (with the consent of the Custodian) deem fair and equitable.

All fees and expenses, duties and charges will be charged to the Portfolio (and Class thereof, if appropriate) in respect of which they were incurred or, where an expense is not considered by the Directors to be attributable to any one Portfolio (or Class thereof), the expense will normally be allocated to all Classes of Portfolios pro rata to the Net Asset Value of the relevant Portfolios. Expenses of the Company which are directly attributable to a Portfolio are charged against the income available for distribution to the holders of the Shares of such Portfolio.

## 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 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 28 March 2016, 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 BDS\$27,825 per annum.

The Company has been classified as non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority whose permission for the issue of Shares in the Company has been obtained. The transfer of Shares between persons regarded as resident or non-resident of Bermuda for exchange control purposes and the issue and redemption of Shares to or by such persons may be affected without specific consent. 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.

## 7.2 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, Subscription & Redemption Prices

The Net Asset Value of each Portfolio is expressed in its base currency. The calculation of the Net Asset Value of each Portfolio and of each Class thereof and the Subscription and Redemption Prices will be carried out by the Administrator in accordance with the requirements of the Bye-laws. Except when the determination of the Net Asset Value of any Portfolio has been suspended in the circumstances set out under the heading “Suspension of Valuations and Dealings” on page 18, the Net Asset Value of each Class, the Net Asset Value per Share and the Subscription and Redemption Price are determined at the close of business for each Portfolio on each Valuation Day and is calculated by reference to the value of the net assets of the relevant Portfolio. Where at the relevant time there are no Shares of the relevant Portfolio in issue, the Subscription Price shall be such amount in the base currency as the Directors shall determine.

The Net Asset Value of any Class of Shares within a Portfolio will be ascertained by taking the Net Asset Value of the Portfolio as a whole and deducting that Classes’ pro rata share of the liabilities of the Portfolio from that Classes’ pro rata share of the assets of the Portfolio, in all cases in a manner determined by the Administrator with the approval of the Manager and the Custodian.

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 Net Asset Value of the relevant Class by the number of Shares of that Class then in issue with the resultant amount being the Net Asset Value per Share. Subscription and Redemption Prices shall be ascertained by determining the Net Asset Value of the Shares of the relevant Class, adding thereto (for Subscription Prices) or deducting therefrom (for Redemption Prices) such sums as the Directors may consider represents an appropriate figure for Duties and Charges, dividing such amount by the number of Shares of the relevant Class in issue and rounding the resulting total to two decimal places.

The Net Asset Value of each Portfolio shall be the value of all the assets comprised in the Portfolio less all the liabilities attributable to the Portfolio and subject to the Bye-laws. The assets of a Portfolio comprise the aggregate of:

- 1) investments owned or contracted to be acquired by the Portfolio;
- 2) cash on hand or on deposit, including accrued interest on such deposits;
- 3) cash payments outstanding on any Shares allotted by the Portfolio;
- 4) bills and demand notes and amounts receivable including net amounts receivable in respect of investments contracted to be realised by the Portfolio;
- 5) interest accrued on interest-bearing investments of the Portfolio, except that accrued on securities which is included in the quoted price; and
- 6) other property and assets of any kind and nature of the Portfolio, including prepaid expenses and unamortised preliminary expenses as valued and defined from time to time by the Directors.

The liabilities of a Portfolio are deemed to include:

- 1) investments contracted to be sold by the Portfolio
- 2) bills and accounts payable by the Portfolio;
- 3) management expenses payable and/or accrued (the latter on a day-to-day basis) in respect of the Portfolio;
- 4) the gross acquisition consideration of investments or other property contracted to be purchased by the Portfolio;
- 5) reserves authorised or approved by the Directors for duties and charges or taxes or contingencies (accrued where appropriate on a day-to-day basis);
- 6) the aggregate amount of all borrowings and interest, commitment fees and other charges of the Portfolio arising in connection therewith (accrued where appropriate on a day-to-day basis); and
- 7) other liabilities of the Portfolio 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).

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

- 1) 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;
- 2) 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;
- 3) 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;
- 4) 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;
- 5) 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;
- 6) 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;
- 7) 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
- 8) any value (whether of a security or of cash) otherwise than in the underlying base currency of the relevant Portfolio is to be converted into such base 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 & Liabilities

### Between Portfolios

The following provisions apply to the Portfolios established and maintained in respect of each Class of Shares:

- 1) the records and accounts of each Portfolio shall be maintained separately in the base currency of the relevant Portfolio;
- 2) the assets of each Portfolio shall belong exclusively to that Portfolio, shall be segregated in the records of the Custodian from the assets of other Portfolios, shall not be used to discharge directly or indirectly the liabilities of or claims against any other Portfolio and shall not be available for any such purpose unless the assets of the other Portfolio are insufficient to satisfy its liability;
- 3) the proceeds from the allotment and issue of each Class of Share shall be applied in the books of the Company to the Portfolio established for that Class of Share, and assets and liabilities and income and expenditure attributable thereto shall be applied to such Portfolio subject to the provisions as set out below. The assets of each Portfolio will, however, be subject to the general creditors of the Company;
- 4) 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 Portfolio 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 Portfolio;
- 5) 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 Portfolio or Portfolios, the Directors shall have discretion to determine the basis upon which any such asset shall be allocated between Portfolios and the Directors shall have power at any time and from time to time to vary such basis;
- 6) the Directors shall have discretion to determine the basis upon which any liability shall be allocated between Portfolios (including conditions as to subsequent reallocation thereof if circumstances so permit) and shall have power at any time and from time to time to vary such basis; and
- 7) the Directors may transfer any assets (or amounts treated as notional assets) to and from Portfolios if, as a result of a creditor proceeding against certain of the assets of the Company or otherwise, a liability will be borne in a different manner from that in which it would have been borne under section six above, or in any similar circumstances.

Save as otherwise provided, the assets so held in each Portfolio shall be applied solely in respect of the Shares of the Class to which such Portfolio appertains. Subject to *The Companies Act 1981* and the Bye-laws, dividends as and when declared by the Directors shall be paid to the holders of Shares of a Class out of the relevant Portfolio. On a

redemption of Shares of a Class, the redemption proceeds shall be paid to the holder redeeming such Shares out of the relevant Portfolio.

In the event of a winding up of the Company or a repurchase of all of the Shares of the Company or all the Shares of any Portfolio, all liabilities, irrespective of whatever Portfolio they are attributable to, shall unless otherwise agreed upon with the creditors, be binding on the Company as a whole.

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 the liquidator 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 Portfolios as may be necessary in order that the effective burden of such creditors' claims may be shared between the holders of Shares of Portfolios 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:

- 1) first, in the payment to the holders of Shares in each Portfolio of a sum equal to the par value of the Shares of such Portfolio held by such holders respectively, provided that there are sufficient assets available in the relevant Portfolio to enable such payment to be made;
- 2) second, in payment to the holders of Shares in each Portfolio of any balance then remaining in the relevant Portfolio, such payment being made in proportion to the number of Shares of the relevant class held; and
- 3) third, in the payment to the holders of Shares in each Portfolio of the balance then remaining and not comprised within any of the Portfolios, such payment being made in proportion to the number of Shares held.

## 8.3 Suspension of Valuations & Dealings

The Directors may suspend the determination of the Net Asset Value per Share 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 the Portfolio are listed, quoted, traded or dealt in is closed (other than customary weekend and holiday closing) 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 the Portfolio 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 Shares 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 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 that Class) from time to time be altered or abrogated with the sanction of a resolution passed by a majority of three fourths at a separate general meeting of the holders of such Shares, voting in person or by proxy.

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.

## 8.5 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 deemed to be represented by a 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.

## 8.6 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 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 interest, may be counted in the quorum present at any meeting at which he 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 may vote on any such

appointment or arrangement other than his own appointment or the arrangement of terms thereof.

No Director shall be disqualified by his 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 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 in respect of any contract or arrangement in which he is so interested and, if he shall vote, his 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.

## 8.7 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 or any Portfolio are acquired or held by any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other 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 is holding or owning Shares in breach of any such restriction is required either to deliver to the Company a written request for redemption of his Shares in accordance with the Bye-laws or to transfer the same to a person who would not thereby be a non-qualified person.

## 8.8 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 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 shareholders over all other claims except as respects any such Director or officer where any such cost, loss or expense shall happen through his 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 of nature whatsoever (other than those resulting from the 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, the Investment Adviser, Custodian or Registrar, as the case may be, in performing their respective obligations or duties under the Management Agreement, Custodian Agreement or Administration Agreement.

## 8.9 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:

- 1) the Management Agreement between the Company and the Manager dated 29 August 2002, pursuant to which the Manager has been appointed Manager of the Company, as amended;
- 2) a Custodian Agreement between the Company and the Bank dated 29 August 2002, pursuant to which the Bank has been appointed Custodian of the assets of the Portfolios, as amended; and
- 3) an Administration Agreement between the Company and Management International (Bermuda) Limited dated 29 August 2002, pursuant to which Management International (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, as amended.

## 8.10 Miscellaneous

Mr. Gonzalo E. Jalles and Mr. P. Wayne Chapman are Directors of the Manager. The Manager receives the fees as mentioned under the “Charges & Expenses” section on page 14.

The minimum amount which must be raised by the issue of Shares of each Portfolio 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.

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.

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 document which either provide material additional information relating to conditions that existed at the date of such audited financial statements or which cause 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 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.

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.

### 8.11 Inspection of Documents

Copies of the following documents will be available for inspection, free of charge, and copies may be obtained for a nominal charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Company in Bermuda.

- (i) *The Companies Act 1981* (as amended) of Bermuda;
- (ii) the Memorandum of Association and Bye-laws of the Company;
- (iii) the material contracts referred to above; and
- (iv) any report of Audited accounts prepared by the auditors and any periodic unaudited accounts.

## 9.0 Procedure for Application

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

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 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 may be made by cheque, draft 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 on the relevant Dealing Day. 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.

Application for the issue of Shares must be received by 12:00 noon (Bermuda time) on the relevant Dealing Day.

Issued by:  
The Bank of Bermuda Limited  
Member HSBC Group  
6 Front Street  
Hamilton HM 11  
Bermuda  
[www.bankofbermuda.com](http://www.bankofbermuda.com)