

**IMPORTANT: IF YOU ARE IN ANY DOUBT AS TO THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR FINANCIAL ADVISER.**

**PROSPECTUS**

**OF**

**INSIGHT INVESTMENT DISCRETIONARY FUNDS ICVC**

**(An open-ended investment company with variable capital incorporated with limited liability and registered in England and Wales under registered number IC192)**

This Prospectus has been prepared in accordance with the Rules of the Financial Services Authority as contained in the Collective Investment Schemes Sourcebook of the Financial Services Authority and is dated and is valid as at 29 March 2012.

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## **INSIGHT INVESTMENT DISCRETIONARY FUNDS ICVC**

### **DIRECTORY**

#### **THE COMPANY**

Insight Investment Discretionary Funds ICVC

Head Office and Registered Office: 160 Queen Victoria Street  
London EC4V 4LA

#### **AUTHORISED CORPORATE DIRECTOR**

Insight Investment Funds Management Limited

Head Office and Registered Office: 160 Queen Victoria Street  
London EC4V 4LA

#### **DEPOSITARY**

National Westminster Bank Plc

Registered and Head Office: 135 Bishopsgate  
London  
EC2M 3UR

Principal Place of Business: Trustee & Depositary Services  
The Broadstone  
50 South Gyle Crescent  
Edinburgh  
EH12 9LD

#### **INVESTMENT ADVISER**

Insight Investment Management (Global) Limited

Head Office and Registered Office: 160 Queen Victoria Street  
London EC4V 4LA

#### **AUDITOR**

KPMG Audit PLC  
8 Salisbury Square  
London EC4Y 8BB

**THE REGISTRAR**

Insight Investment Funds Management Limited

Registered Office: 160 Queen Victoria Street  
London EC4V 4LA

Office for inspection of the Register: 12 Blenheim Place  
Edinburgh EH7 5ZR

**THE ADMINISTRATOR**

The Bank of New York Mellon (International) Limited

Head Office and Registered Office: One Canada Square  
London E14 5AL

1. **DEFINITIONS**

**“Accumulation Shares”**

Shares in respect of which income is accumulated and added to the capital property of the Fund.

**“ACD”**

Insight Investment Funds Management Limited which acts as the authorised corporate director of the Company.

**“Approved Bank”**

in relation to a bank account opened by the Company:

- (a) if the account is opened at a branch in the United Kingdom:
  - (i) the Bank of England; or
  - (ii) the central bank of a member state of the OECD; or
  - (iii) a bank; or
  - (iv) a building society; or
  - (v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or
- (b) if the account is opened elsewhere:
  - (i) a bank in (a); or
  - (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator; or
  - (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
- (c) a bank supervised by the South African Reserve Bank.

<b>“Auditor”</b>	KPMG Audit PLC.
<b>“Company”</b>	Insight Investment Discretionary Funds ICVC.
<b>“Dealing Day”</b>	Monday to Friday (except for (unless the ACD otherwise decides) the last working day before Christmas, a bank holiday in England and Wales and any other days declared by the ACD to be a company holiday) and other days at the ACD’s discretion.
<b>“Depositary”</b>	National Westminster Bank Plc which acts as the depositary of the Company.
<b>“EEA State”</b>	A member state of the European Union and any other state which is within the European Economic Area.
<b>“Eligible Institution”</b>	One of certain eligible institutions being a BCD credit institution authorised by its home state regulator, as defined in the glossary of definitions in the FSA Handbook, or an ISD investment firm authorised by its home state regulator as defined in the glossary of definitions in the FSA Handbook.
<b>“FSA”</b>	The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS.
<b>“FSA Handbook”</b>	The FSA Handbook of Rules and Guidance as amended from time to time.
<b>“FSA Rules”</b>	The Collective Investment Schemes Sourcebook which forms part of the FSA Handbook.
<b>“Fund or Funds”</b>	A sub-fund or sub-funds of the Company. Each Fund forms part of the property of the Company but is pooled separately and is invested in accordance with the investment objective applicable to that Fund. For the purposes of sections 2.6 and 24 of this Prospectus, sub-funds of any other Insight Investment OEIC.

<b>“ICVC Regulations”</b>	The Open-Ended Investment Companies Regulations 2001 (as amended from time to time).
<b>“Income Shares”</b>	Shares in respect of which income is distributed to Shareholders.
<b>“Insight Investment OEIC”</b>	The Company or any other OEIC managed by the ACD, further details of which are set out in Appendix I of this Prospectus (as amended from time to time).
<b>“Insight Investment ISA”</b>	An ISA, the account manager of which is Insight Investment Funds Management Limited.
<b>“Insight Investment Regular Savings Plan”</b>	A regular savings plan offered by the ACD through which A Shares may be purchased including a savings plan within an Insight Investment ISA.
<b>“Instrument of Incorporation”</b>	The instrument of incorporation of the Company as amended from time to time.
<b>“Investment Adviser”</b>	Insight Investment Management (Global) Limited which acts as the investment adviser to the Company.
<b>“ISA”</b>	An individual savings account under the Individual Savings Accounts Regulations 1998 (as amended from time to time).
<b>“Larger Denomination Share”</b>	A Share issued by the Company as a larger denomination share.
<b>“Net Asset Value”</b>	The value of the property of the Company or of a Fund (as the context may require) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation.
<b>“OECD”</b>	The Organisation for Economic Co-operation and Development.
<b>“OEIC”</b>	A company incorporated under the ICVC Regulations.

<b>“Regulated Activities Order”</b>	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 SI 2001/544.
<b>“the Regulations”</b>	The ICVC Regulations and the FSA Rules.
<b>“Share or Shares”</b>	A share or shares in the Company (including Larger Denomination Shares and Smaller Denomination Shares).
<b>“Share Class or Class of Shares or Class”</b>	All of the Shares issued by the Company as a particular class of Shares relating to a single Fund.
<b>“Shareholder”</b>	A holder of Shares in the Company.
<b>“Smaller Denomination Share”</b>	A Share carrying one thousandth of the rights of a Larger Denomination Share.
<b>“SDRT”</b>	Stamp duty reserve tax.
<b>“UCITS”</b>	Undertaking for Collective Investment in Transferable Securities as described in the UCITS Directive referred to in Section 2.3 of the FSA Rules.
<b>“UK”</b>	United Kingdom of Great Britain and Northern Ireland.
<b>“Valuation Point”</b>	The point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the property of the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled or redeemed. The Valuation Point will be 12 noon on each Dealing Day.
<b>“VAT”</b>	Value added tax

## 2. THE COMPANY

- 2.1 The Company is an open-ended investment company with variable capital. The Company is incorporated in England and Wales with Registered Number IC192 and is authorised pursuant to Regulation 14 of the ICVC Regulations. The effective date of the authorisation order made by the FSA was 18 September 2002.

- 2.2 The minimum share capital of the Company shall be £5 million and the maximum share capital shall be £500 billion. The base currency for the Company is pounds sterling. The Shareholders are not responsible for the debts of the Company.
- 2.3 The Company is a UCITS Scheme under the FSA Rules and is in the category of an Umbrella Company, as defined in the ICVC Regulations.
- 2.4 The Company consists of the following Funds:
- Insight Investment Monthly Income Bond Fund
  - Insight Investment UK Equity Income Booster Fund
  - Insight Investment UK Broad Market Bond Fund
  - Insight Investment UK Corporate All Maturities Bond Fund
  - Insight Investment UK Corporate Long Maturities Bond Fund
  - Insight Investment UK Government All Maturities Bond Fund
  - Insight Investment UK Government Long Maturities Bond Fund
  - Insight Investment UK Index-Linked Bond Fund
- 2.5 Subject to the FSA Rules, the ICVC Regulations and the Instrument of Incorporation, the ACD may establish additional Funds from time to time.
- 2.6 The ACD is also the authorised corporate director of five other OEICs, Insight Investment Multi-Manager Funds ICVC, Insight Investment Portfolio Funds ICVC, Insight Investment Professional Funds ICVC and Insight Investment Diversified Target Return Fund ICVC and Insight Investment Funds-of-Funds II ICVC. Their sub-funds are set out in Appendix I. Shareholders are able to switch between Funds of the Company and another Insight Investment OEIC as set out in "Switching" at section 24.
- 2.7 The address in the UK for service on the Company of Notices or other documents required or authorised to be served on the Company is 160 Queen Victoria Street, London EC4V 4LA.
- 2.8 The Company will not have any interest in any immovable property or tangible movable property.
- 2.9 Each Fund has a specific portfolio to which that Fund's assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity.
- 2.9.1 Creditors of the Company may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds of the Company (but not of any other Insight Investment OEIC) in the unlikely event that a Fund's assets are insufficient to meet its liabilities. In the event that any assets are so reallocated, the ACD

will advise Shareholders in the next succeeding annual or half-yearly report to Shareholders.

2.9.2 Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund, and within the Funds, charges will be allocated between Classes in accordance with the terms of issue of Shares of those Classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the Shareholders generally. This will normally be pro rata to the Net Asset Value of the relevant Funds.

## 2.10 **Changes to the Company**

Where any changes are proposed to be made to the Company or a Fund the ACD will assess whether the change is fundamental, significant or notifiable in accordance with Rule 4.3 of the FSA Rules. If the change is regarded as fundamental, Shareholder approval will be required. If the change is regarded as significant, 60 days' prior written notice will be given to Shareholders. If the change is regarded as notifiable, Shareholders will receive suitable notice of the change.

## 3. **AUTHORISED CORPORATE DIRECTOR**

3.1 The ACD is Insight Investment Funds Management Limited, a private company incorporated with limited liability in England and Wales under the Companies Act 1985. Its registered office is situated at 160 Queen Victoria Street, London EC4V 4LA. It was incorporated on 24 July 1984. It has an issued and fully paid-up share capital of £3 million. The ACD's principal activity is acting as the authorised fund manager for regulated collective investment schemes.

3.2 Insight Investment Funds Management Limited is a wholly owned indirect subsidiary of BNY Mellon Corporation.

3.3 The ACD is authorised and regulated by the FSA.

3.4 The directors of the ACD are:

Charles Farquharson

Atul Manek

Abdallah Nauphal

Sarah Aitken

Andrew Giles

The main business activities of the directors are connected to the business of the ACD and its associates.

3.5 The ACD may delegate its management and administration functions to third parties including associates, subject to the provisions of the FSA Rules. Please see sections 5 and 8 below.

### 3.6 **ACD Agreement**

The ACD has been appointed under an agreement dated 19 September 2002 between the Company and the ACD ("the ACD Agreement"). Pursuant to the ACD Agreement, the ACD shall manage and administer the Company in accordance with the Regulations, the Instrument of Incorporation and the Prospectus. The ACD Agreement contains detailed provisions relating to the responsibilities of the ACD, including the management, investment and reinvestment of the property of each Fund in order to achieve the various investment objectives. The specific functions the ACD has delegated are set out in sections 4 to 8 below.

The ACD is entitled to receive Preliminary and Periodic charges as set out in section 20 of this Prospectus headed "Charges".

The ACD Agreement may be terminated without compensation by either party giving to the other not less than two years' written notice. The ACD shall not voluntarily terminate its appointment unless the termination is coterminous with the commencement of the appointment of a successor authorised corporate director of the Company.

The appointment of the ACD shall also be terminated forthwith by either party giving written notice to the other party if the ACD goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation), or a receiver is appointed to the ACD or an administrative order is made in relation to the ACD under the Insolvency Act 1986.

To the extent permitted by the FSA Rules, the Company has agreed to indemnify the ACD against all losses and liabilities incurred in acting as the ACD of the Company other than where there has been negligence, wilful default or fraud on the part of the ACD.

## 4. **THE DEPOSITARY**

4.1 The Depositary of the Company is National Westminster Bank Plc, a public limited company incorporated in England & Wales under the Companies Act 1985. Its registered and head office is situated at 135 Bishopsgate, London EC2M 3UR.

4.2 The ultimate holding company is The Royal Bank of Scotland Group plc which is incorporated and registered in Scotland.

4.3 The principal business activity of the Depositary is acting as trustee and depositary of regulated collective investment schemes.

4.4 The Depositary is authorised and regulated by the FSA.

4.5 The Depositary is responsible for the safe-keeping of all the Funds' property and for fulfilling other duties specified in the FSA Rules which include the taking of reasonable care to ensure that the Company is managed in accordance with those parts of the FSA Rules that concern pricing and dealing in the Shares, allocation of income and compliance with the investment and borrowing powers laid down in the FSA Rules.

#### 4.6 **Depositary Agreement**

The Depositary provides its services under the terms of a depositary agreement as novated in favour of the Depositary with effect from 14 October 2011 ("the Depositary Agreement") which may be terminated by either party giving to the other not less than three months' written notice provided that no such notice shall take effect until the appointment of a successor to the Depositary.

To the extent permitted by the FSA Rules, the Company will indemnify the Depositary, its directors, officers and employees against charges, losses and liabilities suffered or incurred in the proper execution or exercise, or in the purported execution or exercise reasonably, and in good faith, of the Depositary's duties, powers and authorities except in the case of failure to exercise due care and diligence. The Depositary has delegated its custodial duties to The Bank of New York Mellon.

The Depositary is entitled to receive remuneration out of the property of the Funds for its services and this is detailed in section 21 of this Prospectus headed "Depositary's Remuneration and Expenses".

### 5. **THE INVESTMENT ADVISER**

5.1 The ACD has appointed Insight Investment Management (Global) Limited whose registered office is at 160 Queen Victoria Street, London EC4V 4LA as its investment adviser ("the Investment Adviser") by an Agreement dated 26 October 2005 ("the Investment Advisory Agreement").

5.2 The Investment Adviser is an Associate (as defined in the Glossary to the FSA Handbook) of the ACD.

5.3 The Investment Adviser is authorised and regulated by the FSA.

#### 5.4 **Investment Advisory Agreement**

The Investment Advisory Agreement authorises the Investment Adviser to manage and to act as investment adviser for the investment and reinvestment of the assets of the Funds. In the exercise of the ACD's investment functions the Investment Adviser will be allowed complete discretion subject only to compliance with the investment objective and policy applicable to each Fund, the Regulations and supervision or further instruction by the ACD. The Investment Adviser may also direct the exercise of rights (including voting rights) attaching to the ownership of the property of the Company. It will not be a broker fund adviser in relation to the Company.

The Agreement may be terminated, after the expiry of an initial period of five years, by either party giving to the other not less than three months' notice or immediately in certain circumstances, in particular where it is in the best interests of Shareholders to do so.

The ACD has agreed to indemnify the Investment Adviser against all losses and liabilities incurred in acting as the Investment Adviser other than where there has been negligence, fraud or wilful default on the part of the Investment Adviser.

The Investment Adviser has agreed to indemnify the ACD against all losses and liabilities incurred as a result of the negligence, fraud or wilful default on the part of the Investment Adviser.

#### **6. THE AUDITOR**

The auditor of the Company is KPMG Audit PLC of 8 Salisbury Square, London EC4Y 8BB.

#### **7. THE REGISTRAR**

The ACD has made arrangements with the Bank of New York Mellon (International) Limited to carry out some of the registration functions. The register of holders ("the Register") in the Funds of the Company is kept at 12 Blenheim Place, Edinburgh EH7 5ZR and may be inspected at that address during ordinary office hours. The Registrar will also keep at that address, and make available for inspection as required by the Regulations, plan registers for any Insight Investment ISA in which Shares are held.

#### **8. THE ADMINISTRATOR**

The ACD has delegated its administration functions to The Bank of New York Mellon (International) Limited ("the Administrator") whose registered offices are at One Canada Square, London E14 5AL. The Administrator provides fund accounting, transfer agency and customer service functions. The mandate with the Administrator permits the ACD to give further instructions.

## 9. **THE FUNDS AND THEIR INVESTMENT OBJECTIVES AND POLICIES**

It is the policy of the ACD that Funds will be fully invested, but cash and near cash will be held as necessary to enable Shares to be redeemed and to assist in the efficient management of each Fund in accordance with its respective investment objectives. The ACD, however, has the power to increase liquidity in the light of market conditions where this is considered prudent.

### 9.1 **Insight Investment Monthly Income Bond Fund**

The Fund aims to achieve a high level of income, with the possibility of capital growth, through investment in "high yield" and in "investment grade" fixed and variable rate securities mainly denominated in Sterling.

The Fund may also invest in non-Sterling-denominated securities which will normally be hedged to minimise currency risk, but the ACD reserves the right not to hedge where, in its view, it is not in the interest of the Fund to do so.

### 9.2 **Insight Investment UK Equity Income Booster Fund**

The investment objective of the Fund is to provide an enhanced level of income with potential for capital growth primarily through investment in equity and equity related securities.

The Fund will invest primarily in a portfolio of UK listed equity and equity related securities, although there may be some investment, from time to time, in securities listed outside of the UK.

In addition the Fund will employ a derivatives strategy designed to generate additional income. The Fund may also use derivative instruments for other efficient portfolio management purposes.

The Fund may also invest in other transferable securities, collective investment schemes, cash and near cash, deposits and money market instruments.

### 9.3 **Insight Investment UK Broad Market Bond Fund**

The Fund aims to generate a return by investing principally in Sterling denominated fixed interest securities issued by governments, public authorities and corporate entities.

The Fund may also invest in collective investment schemes, deposits and cash and near cash, other transferable securities, money market instruments and derivatives.

Derivatives may be used for efficient portfolio management as well as for meeting the investment objective of the Fund.

### 9.4 **Insight Investment UK Corporate All Maturities Bond Fund**

The Fund aims to generate a return by investing principally in Sterling denominated fixed interest securities issued by entities other than the UK Government.

The Fund may also invest in collective investment schemes, deposits and cash and near cash, other transferable securities, money market instruments and derivatives.

Derivatives may be used for efficient portfolio management as well as for meeting the investment objective of the Fund.

### 9.5 **Insight Investment UK Corporate Long Maturities Bond Fund**

The Fund aims to generate a return by investing principally in Sterling denominated fixed interest securities with long maturities issued by entities other than the UK Government.

The Fund may also invest in collective investment schemes, deposits and cash and near cash, other transferable securities, money market instruments and derivatives.

Derivatives may be used for efficient portfolio management as well as for meeting the investment objective of the Fund.

### 9.6 **Insight Investment UK Government All Maturities Bond Fund**

The Fund aims to generate a return by investing principally in Sterling denominated fixed interest securities issued by the UK government.

The Fund may also invest in collective investment schemes, deposits and cash and near cash, other transferable securities, money market instruments and derivatives.

Derivatives may be used for efficient portfolio management as well as for meeting the investment objective of the Fund.

#### **9.7 Insight Investment UK Government Long Maturities Bond Fund**

The Fund aims to generate a return by investing principally in Sterling denominated fixed interest securities with long maturities issued by the UK government.

The Fund may also invest in collective investment schemes, deposits and cash and near cash, other transferable securities, money market instruments and derivatives.

Derivatives may be used for efficient portfolio management as well as for meeting the investment objective of the Fund.

#### **9.8 Insight Investment UK Index-Linked Bond Fund**

The Fund aims to generate a return by investing principally in Sterling denominated index linked securities.

The Fund may also invest in collective investment schemes, deposits and cash and near cash, other transferable securities, money market instruments and derivatives.

Derivatives may be used for efficient portfolio management as well as for meeting the investment objective of the Fund.

## 10. INVESTMENT AND BORROWING POWERS AND RESTRICTIONS

### 10.1 General rules of investment

10.1.1 The scheme property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits on investment set out in Chapter 5 of the FSA Rules. These limits apply to each Fund as summarised below.

10.1.2 The ACD's investment policy may mean that at times, where it is considered appropriate, the scheme property of a Fund will not be fully invested and that prudent levels of liquidity will be maintained.

### 10.2 Prudent spread of risk

The ACD must ensure that, taking account of the investment objectives and policy of each of the Funds, the scheme property provides a spread of risk.

### 10.3 Cover

10.3.1 Where the FSA Rules permit an investment transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in Chapter 5 of the FSA Rules, it must be assumed that the maximum possible liability of a Fund under any other of those rules has also to be provided for.

10.3.2 Where the FSA Rules permit an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

10.3.2.1 it must be assumed that in applying any of those rules, a Fund must also simultaneously satisfy any other obligation relating to cover; and

10.3.2.2 no element of cover must be used more than once.

### 10.4 UCITS schemes – general

10.4.1 In respect of the Insight Investment Monthly Income Bond Fund, the scheme property of the Fund must, except where otherwise provided in

Chapter 5 of the FSA Rules, only consist of any or all of transferable securities.

10.4.2 In respect of the UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund, Insight Investment UK Index-Linked Bond Fund and Insight Investment UK Equity Income Booster Fund, the scheme property of the Funds must, subject to the investment objective and policy of each Fund and except where otherwise provided in Chapter 5 of the FSA Rules and/or this Appendix, only consist of any or all of:

10.4.2.1 transferable securities;

10.4.2.2 approved money market instruments;

10.4.2.3 derivatives and forward transactions.

10.4.2.4 deposits;

10.4.2.5 units in collective investment schemes;

10.4.3 The requirements in paragraphs 10.15 and 10.16 do not apply until the expiry of a period of six months after the date of effect of the authorisation order in respect of a Fund (or on which the initial offer commenced if later) provided that the requirement to maintain prudent spread of risk is complied with.

10.4.4 It is not intended that the Funds will have an interest in any immovable property or tangible moveable property.

## 10.5 **Transferable securities**

10.5.1 A transferable security is an investment which is any of the following:

10.5.1.1 a share;

10.5.1.2 a debenture;

10.5.1.3 a government and public security;

10.5.1.4 a warrant; or

10.5.1.5 a certificate representing certain securities.

- 10.5.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 10.5.3 In applying paragraph 10.5.2 to an investment which is issued by a body corporate, and which is a share or a debenture the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 10.5.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.
- 10.5.5 No more than 5% of the value of the scheme property of a Fund may be invested in warrants.

## 10.6 **Investment in transferable securities**

- 10.6.1 A Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
  - 10.6.1.1 the potential loss which a Fund may incur with respect to holding the transferable security is limited to the amount paid for it;
  - 10.6.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem shares at the request of any qualifying shareholder under the COLL Sourcebook;
  - 10.6.1.3 reliable valuation is available for it as follows:
    - (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;
    - (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

10.6.1.4 appropriate information is available for it as follows:

- (a) in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;
- (b) in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

10.6.1.5 it is negotiable; and

10.6.1.6 its risks are adequately captured by the risk management process of the ACD.

10.6.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

10.6.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder; and

10.6.2.2 to be negotiable.

## 10.7 **Closed end funds constituting transferable securities**

10.7.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by a Fund, provided it fulfils the criteria for transferable securities set out in paragraph 10.6, and either:

10.7.1.1 where the closed end fund is constituted as an investment company or a unit trust:

- (a) it is subject to corporate governance mechanisms applied to companies; and
- (b) where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or

10.7.1.2 where the closed end fund is constituted under the law of contract:

- (a) it is subject to corporate governance mechanisms equivalent to those applied to companies; and
- (b) it is managed by a person who is subject to national regulation for the purpose of investor protection.

## 10.8 **Transferable securities linked to other assets**

10.8.1 A Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by a Fund provided the investment:

10.8.1.1 fulfils the criteria for transferable securities set out in paragraph 10.6; and

10.8.1.2 is backed by or linked to the performance of other assets, which may differ from those in which a Fund can invest.

10.8.2 Where an investment in paragraph 10.8.1 contains an embedded derivative component (see paragraph 10.19.8), the requirements of this section with respect to derivatives and forwards will apply to that component.

## 10.9 **Approved money market instruments**

10.9.1 An approved money market instrument is a money market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

10.9.2 A money market instrument shall be regarded as normally dealt in on the money market if it:

10.9.2.1 has a maturity at issuance of up to and including 397 days;

10.9.2.2 has a residual maturity of up to and including 397 days;

10.9.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or

10.9.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in paragraphs 10.9.2.1 or 10.9.2.2 or is subject to yield adjustments as set out in paragraph 10.9.2.3.

- 10.9.3 A money market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem units at the request of any qualifying Shareholder.
- 10.9.4 A money market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
- 10.9.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- 10.9.4.2 based either on market data or on valuation models including systems based on amortised costs.
- 10.9.5 A money market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

**10.10 Transferable securities and approved money market instruments generally to be admitted to or dealt in on an eligible market**

- 10.10.1 Transferable securities and approved money market instruments held within a Fund must be:
- 10.10.1.1 admitted to or dealt on an eligible market (as described in paragraphs 10.11.1.1 or 10.11.1.2); or
- 10.10.1.2 dealt on an eligible market (as described in paragraph 10.11.2); or
- 10.10.1.3 for an approved money market instrument not admitted to or dealt in on an eligible market, within paragraph 10.12.1; or
- 10.10.1.4 recently issued transferable securities (provided that the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and such admission is secured within a year of issue).
- 10.10.2 Not more than 10% in value of the scheme property of a Fund is to consist of transferable securities and, if applicable, approved money market instruments other than those referred to in paragraph 10.10.1.

## 10.11 Eligible markets requirements

10.11.1 A market is eligible for the purposes of the rules if it is:

10.11.1.1 a regulated market; or

10.11.1.2 a market in an EEA State which is regulated, operates regularly and is open to the public;

10.11.1.3 any market within paragraph 10.11.2.

10.11.2 A market not falling within paragraph 10.11.1.1 or 10.11.1.2 is eligible for the purposes of Chapter 5 of the FSA Rules if:

10.11.2.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the scheme property;

10.11.2.2 the market is included in a list in the Prospectus; and

10.11.2.3 the Depositary has taken reasonable care to determine that:

(a) adequate custody arrangements can be provided for the investment dealt in on that market; and

(b) all reasonable steps have been taken by the ACD in deciding whether that market is eligible.

10.11.3 In paragraph 10.11.2.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of Shareholders.

10.11.4 The eligible markets for each Fund are set out below at section 11.

## 10.12 Money market instruments with a regulated issuer

10.12.1 In addition to instruments admitted to or dealt in on an eligible market, where consistent with a Fund's investment objective and policy, a Fund may invest in an approved money market instrument provided it fulfils the following requirements:

10.12.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and

10.12.1.2 the instrument is issued or guaranteed in accordance with paragraph 10.13.

10.12.2 The issue or the issuer of a money market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:

10.12.2.1 the instrument is an approved money market instrument;

10.12.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with paragraph 10.14; and

10.12.2.3 the instrument is freely transferable.

### 10.13 Issuers and guarantors of money market instruments

10.13.1 Where consistent with a Fund's investment objective and policy, a Fund may invest in an approved money market instrument if it is:

10.13.1.1 issued or guaranteed by any one of the following:

(a) a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;

(b) a regional or local authority of an EEA State;

(c) the European Central Bank or a central bank of an EEA State;

(d) the European Union or the European Investment Bank;

(e) a non-EEA State or, in the case of a federal state, one of the members making up the federation;

(f) a public international body to which one or more EEA States belong; or

10.13.1.2 issued by a body, any securities of which are dealt in on an eligible market; or

10.13.1.3 issued or guaranteed by an establishment which is:

(a) subject to prudential supervision in accordance with criteria defined by Community law; or

(b) subject to and complies with prudential rules considered by the FSA to be at least as stringent as those laid down by Community law.

10.13.2 An establishment shall be considered to satisfy the requirement in 10.13.1.3(b) if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

10.13.2.1 it is located in the European Economic Area;

10.13.2.2 it is located in an OECD country belonging to the Group of Ten;

10.13.2.3 it has at least investment grade rating;

10.13.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by Community law.

#### 10.14 **Appropriate information for money market instruments**

10.14.1 In the case of an approved money market instrument within paragraph 10.13.1.2 or which is issued by an authority within paragraph 10.13.1.1(b) or a public international body within paragraph 10.13.1.1(f) but is not guaranteed by a central authority within paragraph 10.13.1.1(a), the following information must be available:

10.14.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;

10.14.1.2 updates of that information on a regular basis and whenever a significant event occurs; and

10.14.1.3 available and reliable statistics on the issue or the issuance programme.

10.14.2 In the case of an approved money market instrument issued or guaranteed by an establishment within paragraph 10.13.1.3, the following information must be available

10.14.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the

issue of the instrument updates of that information on a regular basis and whenever a significant event occurs; and

10.14.2.2 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

10.14.3 In the case of an approved money market instrument:

10.14.3.1 within paragraphs 10.13.1.1(a), 10.13.1.1(d) or 10.13.1.1(e); or

10.14.3.2 which is issued by an authority within paragraph 10.13.1.1(b) or a public international body within paragraph 10.13.1.1(f) and is guaranteed by a central authority within paragraph 10.13.1.1(a);

information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

#### 10.15 **Spread: general**

10.15.1 This paragraph 10.15 on spread does not apply to government and public securities.

10.15.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.

10.15.3 Not more than 20% in value of the scheme property of a Fund is to consist of deposits with a single body.

10.15.4 Not more than 5% in value of the scheme property of a Fund is to consist of transferable securities or approved money market instruments issued by any single body.

10.15.5 The limit of 5% in paragraph 10.15.4 is raised to 10% in respect of up to 40% in value of the scheme property of a Fund.

10.15.6 In applying paragraphs 10.15.4 and 10.15.5 certificates representing certain securities are treated as equivalent to the underlying security.

- 10.15.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of scheme property of a Fund; this limit is raised to 10% where the counterparty is an approved bank.
- 10.15.8 Not more than 20% in value of the scheme property of a Fund is to consist of transferable securities or approved money market instruments issued by the same group (as referred to in paragraph 10.15.2).
- 10.15.9 Not more than 20% in value of the scheme property of a Fund is to consist of the units of any one collective investment scheme.
- 10.15.10 In applying the limits in paragraphs 10.15.4 to 10.15.7 not more than 20% in value of the scheme property of a Fund is to consist of any combination of two or more of the following:
- 10.15.10.1 transferable securities or approved money market instruments issued by; or
  - 10.15.10.2 deposits made with; or
  - 10.15.10.3 exposure from OTC derivatives transactions made with;
  - 10.15.10.4 a single body.
- 10.15.11 For the purpose of calculating the limits in paragraphs 10.15.7 and 10.15.10, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the conditions specified in paragraph 10.15.12
- 10.15.12 The conditions referred to in 10.15.11 are that the collateral:
- 10.15.12.1 is marked-to-market on a daily basis and exceeds the value of the amount at risk;
  - 10.15.12.2 is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
  - 10.15.12.3 is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
  - 10.15.12.4 can be fully enforced by the Fund at any time.
- 10.15.13 For the purpose of calculating the limits in paragraphs 10.15.7 and 10.15.10, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:

10.15.13.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to Directive 2006/48/EC; and

10.15.13.2 are based on legally binding agreements.

10.15.14 In applying this paragraph 10.15, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:

10.15.14.1 it is backed by an appropriate performance guarantee; and

10.15.14.2 it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

#### 10.16 **Spread: Government and public securities**

10.16.1 The restrictions in paragraph 10.15 do not apply to Government and public securities ("such securities"). The restrictions in relation to such securities are set out below.

10.16.2 Where no more than 35% in value of the scheme property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.

10.16.3 A Fund may invest more than 35% in value of the scheme property in such securities issued by any one body provided that:

10.16.3.1 the ACD has, before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of a Fund;

10.16.3.2 no more than 30% in value of the scheme property consists of such securities of any one issue;

10.16.3.3 the scheme property includes such securities issued by that or another issuer, of at least six different issues.

10.16.4 The rules in paragraph 10.16.3 are intended to apply to the following Funds and accordingly more than 35% of the scheme property of each of the Funds is or may be invested in such securities.

- 10.16.4.1 Insight Investment UK Broad Market Bond Fund, which may invest up to 100% of the property of the Fund in Government and public securities issued by, or on behalf of, or guaranteed by the Government of the UK (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales).
- 10.16.4.2 Insight Investment UK Corporate All Maturities Bond Fund, which may invest up to 50% of the property of the Fund in Government and public securities issued by, or on behalf of, or guaranteed by the Government of the UK (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales).
- 10.16.4.3 Insight Investment UK Corporate Long Maturities Bond Fund, which may invest up to 50% of the property of the Fund in Government and public securities issued by, or on behalf of, or guaranteed by the Government of the UK (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales).
- 10.16.4.4 Insight Investment UK Government All Maturities Bond Fund, which may invest up to 100% of the property of the Fund in Government and public securities issued by, or on behalf of, or guaranteed by the Government of the UK (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales).
- 10.16.4.5 Insight Investment UK Government Long Maturities Bond Fund, which may invest up to 100% of the property of the Fund in Government and public securities issued by, or on behalf of, or guaranteed by the Government of the UK (including the Scottish Administration, the Executive Committee of the Northern Ireland Assembly and the National Assembly of Wales).
- 10.16.4.6 Insight Investment Index-Linked Bond Fund, which may invest up to 100% of the property of the Fund in Government and public securities issued by, or on behalf of, or guaranteed by the Government of the UK (including the Scottish Administration, the Executive Committee of

the Northern Ireland Assembly and the National Assembly of Wales) .

Subject to this restriction there are no limits on the amount of a Fund's property which may be invested in Government and public securities or such securities issued by any one issuer or of any issue.

10.16.5 In relation to such securities:

10.16.5.1 issue, issuer and guarantor include guarantee, guaranteed and guarantor; and

10.16.5.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.

10.16.6 Notwithstanding paragraph 10.15.1 and subject to paragraphs 10.16.2 and 10.16.3, in applying the 20% limit in paragraph 10.15.10 with respect to a single body, government and public securities issued by that body shall be taken into account.

#### 10.17 **Investment in collective investment schemes**

10.17.1 Up to 10% in value of the scheme property of each Fund may be invested in units or shares of other collective investment schemes, provided that:

10.17.1.1 the other collective investment scheme is a scheme which:

(a) complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

(b) is authorised as a non-UCITS retail scheme (provided the requirements of Article 19(1)(e) of the UCITS Directive are met); or

(c) is recognised under the provisions of section 270 of the Financial Services and Markets Act 2000 (Schemes authorised in designated countries or territories); or

(d) is authorised in another EEA State (provided the requirements of Article 19(1)(e) of the UCITS Directive are met);

10.17.1.2 it is a scheme which complies where relevant with rule 5.2.16R of the FSA Rules (Investment in other group

schemes) i.e. that the scheme may only invest in other group schemes (other collective investment schemes which are managed and operated by the ACD or an Associate of the ACD) provided there is no double charging of the preliminary charge on the basis set out in 10.17.1.6 to 10.17.1.8;

- 10.17.1.3 it is a scheme which has terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes;
- 10.17.1.4 for the purposes of paragraphs 10.17.1.2, 10.17.1.3 and 10.15 each sub-fund of an umbrella scheme is to be treated as if it were a separate scheme but no sub-fund of an umbrella scheme may invest in another sub-fund of that umbrella scheme.
- 10.17.1.5 as mentioned below, the Company must not acquire more than 25% of the units of a single collective investment scheme;
- 10.17.1.6 in accordance with rule 5.2.15R of the FSA Rules each of the Funds may include units in collective investment schemes managed or operated by (or, if it is an OEIC, has as its ACD) the ACD of the Fund or an associate of the ACD.
- 10.17.1.7 a Fund must not invest in or dispose of units in another collective investment scheme (the second scheme), which is managed or operated by (or in the case of an OEIC, whose ACD is), the authorised fund manager of such authorised fund, or an associate of that ACD, unless:
  - (a) the ACD of the Fund is under a duty to pay to the Fund by the close of business on the fourth business day next after the agreement to buy or to sell the amount referred to in paragraphs (c) and (d);
  - (b) there is no charge in respect of the investment in or the disposal of units in the second scheme;
  - (c) on investment, either:
    - (i) any amount by which the consideration paid by the Fund for the units in the second scheme exceeds the price that would have been paid for the benefit of the

second scheme had the units been newly issued or sold by it; or

(ii) if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the second scheme;

(d) on disposal, the amount of any charge made for the account of the authorised fund manager or operator of the second scheme or an associate of any of them in respect of the disposal; and

10.17.1.8 in paragraphs 10.17.1.7(a) to 10.17.1.7(d) above:

(a) any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy or SDRT provision made is to be treated as part of the price of the units and not as part of any charge; and

(b) any switching charge made in respect of an exchange of units in one sub-fund or separate part of the second scheme for units in another sub-fund or separate part of that scheme is to be included as part of the consideration paid for the units.

#### 10.18 **Investment in nil and partly paid securities**

A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in this section.

#### 10.19 **Derivatives: General**

**10.19.1 Only UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund may use derivatives for investment purposes.**

- 10.19.2 Under the FSA Rules derivatives are permitted for UCITS schemes for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objectives or both.
- 10.19.3 **The property of these Funds may be invested in derivatives and forward transactions under the FSA Rules for the purposes of hedging and/or meeting their investment objectives. It is not intended that the use of derivatives in this way will cause the Net Asset Value of these Funds to have high volatility or otherwise cause its existing risk profile to change materially.**
- 10.19.4 **Except for the Funds specified above in paragraph 10.19.1, none of the Funds currently intends to use its property to invest in derivatives and forward transactions under the COLL Sourcebook, other than for the purposes of efficient portfolio management techniques (as defined below), which is not expected to have a detrimental effect on the risk profile of the Funds.**
- 10.19.5 **For the Funds specified above in paragraph 10.19.1, where derivatives are used for investment purposes, there remains a possibility that the unit price of the Fund may be more volatile than would otherwise have been the case. The effect of the derivative strategies employed could be to amplify or dampen market movements, or to cause the net asset value of the Fund to move in an opposite direction to that of the market. In such cases, its behaviour could be counter-intuitive to that expected by investors who are accustomed to investment in traditional long only funds.**
- 10.19.6 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in paragraph 10.20; and the transaction is covered, as required by paragraph 10.32.
- 10.19.7 Where a Fund invest in derivatives, the exposure to the underlying assets must not exceed the limits set out in paragraphs 10.15 and 10.16 except for index based derivatives provided the relevant index falls within paragraph 10.19.11.
- 10.19.8 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.

10.19.9 A transferable security or an approved money market instrument will embed a derivative if it contains a component which fulfils the following criteria:

10.19.9.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

10.19.9.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

10.19.9.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money market instrument.

10.19.10 A transferable security or an approved money market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money market instrument. That component shall be deemed to be a separate instrument.

10.19.11 Where a Fund invests in an index based derivative, provided the relevant index falls within paragraph 10.21, the underlying constituents of the index do not have to be taken into account for the purposes of the paragraphs 10.15 and 10.16. The relaxation is subject to the ACD continuing to ensure that the property of the Funds provides a prudent spread of risk.

## 10.20 Permitted transactions (derivatives and forwards)

10.20.1 A transaction in a derivative must be in an approved derivative; or be one which complies with paragraph 10.24.

10.20.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which the scheme is dedicated:

10.20.3 transferable securities permitted under 10.10.1,

10.20.3.1 approved money market instruments,

10.20.3.2 permitted deposits as set out in paragraph 10.26,

- 10.20.3.3 derivatives permitted under this paragraph,
  - 10.20.3.4 collective investment scheme units permitted under paragraph 10.17
  - 10.20.3.5 financial indices which satisfy the criteria set out in paragraph 10.21,
  - 10.20.3.6 interest rates,
  - 10.20.3.7 foreign exchange rates; and
  - 10.20.3.8 currencies.
- 10.20.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 10.20.5 A transaction in a derivative must not cause the Funds to diverge from their investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.
- 10.20.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money market instruments, units in collective investment schemes, or derivatives.
- 10.20.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.
- 10.20.8 A derivative includes an instrument which fulfils the following criteria:
- 10.20.8.1 it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;
  - 10.20.8.2 it does not result in the delivery or the transfer of assets other than those referred to in paragraph 10.4 including cash;
  - 10.20.8.3 in the case of an OTC derivative, it complies with the requirements in paragraph 10.24.
  - 10.20.8.4 its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the

derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

10.20.9 The scheme may not undertake transactions in derivatives on commodities.

## 10.21 **Financial indices underlying derivatives**

10.21.1 The financial indices referred to in paragraph 10.20.3.5 are those which satisfy the following criteria:

10.21.1.1 the index is sufficiently diversified;

10.21.1.2 the index represents an adequate benchmark for the market to which it refers; and

10.21.1.3 the index is published in an appropriate manner.

10.21.2 A financial index is sufficiently diversified if:

10.21.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

10.21.2.2 where it is composed of assets in which the scheme is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and

10.21.2.3 where it is composed of assets in which the scheme cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section 10.

10.21.3 A financial index represents an adequate benchmark for the market to which it refers if:

10.21.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;

10.21.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

10.21.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

10.21.4 A financial index is published in an appropriate manner if:

10.21.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

10.21.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

10.21.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 10.20 be regarded as a combination of those underlyings.

## 10.22 **Transactions for the purchase of property**

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Funds may be entered into only if that property can be held for the account of the Funds, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

## 10.23 **Requirement to cover sales**

10.23.1 No agreement by or on behalf of the Funds to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Funds by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Funds at the time of the agreement. This requirement does not apply to a deposit.

10.23.2 Paragraph 10.23.1 does not apply where:

10.23.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

10.23.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the scheme property which falls within one of the following asset classes:

- (a) cash;
- (b) liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or
- (c) other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

10.23.2.3 In the asset classes referred to in paragraph 10.23.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

## 10.24 OTC transactions in derivatives

10.24.1 Any transaction in an OTC derivative under paragraph 10.20 must be:

10.24.1.1 with an approved counterparty; A counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FSA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

10.24.1.2 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Depositary is satisfied that the counterparty has agreed with the Fund: to provide at least daily and at any other time at the request of the Company, a reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty; and that it or

an alternative counterparty will, at the request of the Company, enter into a further transaction to sell, liquidate or close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under paragraph 10.24.1.3; and

10.24.1.3 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy: on the basis on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or, if that value is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

10.24.1.4 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it; or a department within the ACD which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

## 10.25 **Risk Management**

The ACD uses a risk management process, as reviewed by the Depositary, enabling it to monitor and measure as frequently as appropriate the risk of the Funds' positions and their contribution to the overall risk profile of the Funds.

## 10.26 **Investment in deposits**

A Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

## 10.27 **Significant influence**

10.27.1 The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on

substantially all matters) at a general meeting of that body corporate if:

10.27.1.1 immediately before the acquisition, the aggregate of any such securities held by the Company gives the Company power significantly to influence the conduct of business of that body corporate; or

10.27.1.2 the acquisition gives the Company that power.

10.27.2 For the purpose of paragraph 10.27.1.2, the Company is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

## 10.28 **Concentration**

### **A UCITS scheme:**

10.28.1 must not acquire transferable securities (other than debt securities) which:

10.28.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

10.28.1.2 represent more than 10% of those securities issued by that body corporate;

10.28.2 must not acquire more than 10% of the debt securities issued by any single body;

10.28.3 must not acquire more than 25% of the units in a collective investment scheme;

10.28.4 must not acquire more than 10% of the approved money market instruments issued by any single body; and

10.28.5 need not comply with the limits in paragraphs 10.28.1 to 10.28.4 if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

## 10.29 **Schemes replicating an index**

- 10.29.1 Notwithstanding paragraph 10.15, a Fund may invest up to 20% in value of the property of the Fund in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index which satisfies the criteria in paragraph 10.30.
- 10.29.2 Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of efficient portfolio management.
- 10.29.3 The 20% limit can be raised for a Fund up to 35% in value of the property of the Fund, but only in respect of one body and where justified by exceptional market conditions.

### 10.30 **Relevant indices**

- 10.30.1 The indices referred to in paragraph 10.29 are those which satisfy the following criteria:
- 10.30.1.1 the composition is sufficiently diversified;
  - 10.30.1.2 the index represents an adequate benchmark for the market to which it refers; and
  - 10.30.1.3 the index is published in an appropriate manner.
- 10.30.2 The composition of an index is sufficiently diversified if its components adhere to the spread and concentration requirements in this paragraph.
- 10.30.3 An index represents an adequate benchmark if its provider uses a recognised methodology which generally does not result in the exclusion of a major issuer of the market to which it refers.
- 10.30.4 An index is published in an appropriate manner if:
- 10.30.4.1 it is accessible to the public;
  - 10.30.4.2 the index provider is independent from the index-replicating fund; this does not preclude index providers and the fund from forming part of the same group, provided that effective arrangements for the management of conflicts of interest are in place.

### 10.31 **Derivatives exposure**

- 10.31.1 A Fund may invest in derivatives and forward transactions as long as the exposure to which a Fund is committed by that transaction itself is suitably covered from within its property. Exposure will include any initial outlay in respect of that transaction.
- 10.31.2 Cover ensures that the Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the property of the Fund. Therefore, the Fund must hold property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Paragraph 10.32 sets out detailed requirements for cover of the Fund.
- 10.31.3 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

#### 10.32 **Cover for transactions in derivatives and forward transactions**

- 10.32.1 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which a Fund is or may be committed by another person is covered globally.
- 10.32.2 Exposure is covered globally if adequate cover from within the property of a Fund is available to meet its total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.
- 10.32.3 Cash not yet received into the property of a Fund but due to be received within one month is available as cover.
- 10.32.4 Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.
- 10.32.5 The total exposure relating to derivatives held in a Fund may not exceed the net value of the property of the Fund.

#### 10.33 **Cash, borrowing, lending and other provisions**

- 10.33.1 Paragraph 10.34 applies to the ACD.
- 10.33.2 Paragraph 10.35 applies to the Fund, except paragraphs 10.35.3 and 10.35.4 which apply to the ACD.

- 10.33.3 Paragraph 10.36 applies to the ACD.
- 10.33.4 Paragraph 10.37 applies to the Fund.
- 10.33.5 Paragraph 10.38 applies to the Fund, except for paragraph 10.38.4 which applies to the Fund or to the Depositary.
- 10.33.6 Paragraph 10.39 applies to the Fund.
- 10.33.7 Paragraph 10.40 applies to the Fund or the Depositary.

#### 10.34 **Cash and near cash**

- 10.34.1 Cash and near cash must not be retained in the scheme property except to the extent that, where this may reasonably be regarded as necessary in order to enable:
  - 10.34.1.1 the pursuit of the Fund's investment objectives; or
  - 10.34.1.2 redemption of Shares; or
  - 10.34.1.3 efficient management of a Fund in accordance with its investment objectives; or
  - 10.34.1.4 other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.
- 10.34.2 During the period of an initial offer the scheme property may consist of cash and near cash without limitation.

#### 10.35 **Borrowing Powers**

- 10.35.1 A Fund may, in accordance with this paragraph, borrow money for the use of the Fund, on the terms that the borrowing is to be repayable out of the scheme property. This power to borrow is subject to the obligation of the Fund to comply with any restriction in the instrument constituting the Fund.
- 10.35.2 A Fund may borrow under paragraph 10.35.1 only from an Eligible Institution or an Approved Bank.
- 10.35.3 The ACD must ensure that any borrowing is on a temporary basis, and that borrowings are not persistent and, for this purpose the ACD must have regard in particular to:
  - 10.35.3.1 the duration of any period of borrowing, and

10.35.3.2 the number of occasions on which borrowing is undertaken in any period;

10.35.4 In addition to complying with paragraph 10.35.3, the ACD must ensure that no period of borrowing exceeds 3 months without the consent of the Depositary, whether in respect of any specific sum or at all. The Depositary's consent may be given only on such conditions as appears to the Depositary appropriate to ensure that the borrowing does not cease to be on a temporary basis.

10.35.5 These borrowing restrictions do not apply to back-to-back borrowing for currency hedging purposes (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates).

### **10.36 Borrowing Limits**

10.36.1 The ACD must ensure that the Fund's borrowing does not, on any business day, exceed 10% of the value of the scheme property of the Fund.

10.36.2 This limit does not apply to "back to back" borrowing.

10.36.3 In this paragraph 10.36, "borrowing" includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the scheme property in the expectation that the sum will be repaid.

### **10.37 Restrictions on lending of money**

10.37.1 None of the money in the scheme property of a Fund may be lent and, for the purposes of this prohibition, money is lent by the Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee.

10.37.2 Acquiring a debenture is not lending for the purposes of paragraph 10.37.1; nor is the placing of money on deposit or in a current account.

10.37.3 Paragraph 10.37.1 does not prevent a Fund from providing an officer of the Fund with funds to meet expenditure to be incurred by him for the purposes of the Fund (or for the purposes of enabling him properly to perform his duties as an officer of the Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

### **10.38 Restrictions on lending of property other than money**

- 10.38.1 The scheme property of a Fund other than money must not be lent by way of deposit or otherwise.
- 10.38.2 Transactions permitted by paragraph 10.42 are not lending for the purposes of paragraph 10.38.1.
- 10.38.3 The scheme property of a Fund must not be mortgaged.
- 10.38.4 Nothing in these restrictions prevents a Fund or Depositary at the request of the Fund from lending depositing pledging or charging scheme property for margin requirements where transactions in derivatives or forward transactions are used for the account of a Fund in accordance with any other rules in Chapter 5 of the FSA Rules.

### 10.39 **General power to accept or underwrite placings**

- 10.39.1 Any power in Chapter 5 of the FSA Rules to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation.
- 10.39.2 This section applies, subject to paragraph 10.39.3, to any agreement or understanding:
  - 10.39.2.1 which is an underwriting or sub-underwriting agreement; or
  - 10.39.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Fund.
- 10.39.3 Paragraph 10.39.2 does not apply to:
  - 10.39.3.1 an option; or
  - 10.39.3.2 a purchase of a transferable security which confers a right:
    - (a) to subscribe for or acquire a transferable security; or
    - (b) to convert one transferable security into another.
- 10.39.4 The exposure of the Fund to agreements and understandings within paragraph 10.39.2 must, on any business day:
  - 10.39.4.1 be covered in accordance with the requirements of rule 5.3.3R of the FSA Rules; and

10.39.4.2 be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of the FSA Rules.

#### 10.40 **Guarantees and indemnities**

10.40.1 A Fund or the Depositary for the account of the Fund must not provide any guarantee or indemnity in respect of the obligation of any person.

10.40.2 None of the scheme property of a Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

10.40.3 Paragraphs 10.40.1 and 10.40.2 do not apply to:

10.40.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with chapter 5 of the FSA Rules;

10.40.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the OEIC Regulations;

10.40.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the OEIC Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the scheme property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the scheme property; and

10.40.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Fund and the holders of units in that scheme become the first shareholders in the Fund.

#### 10.41 **Efficient Portfolio Management**

10.41.1 The Company may also utilise the property of each Fund to enter into transactions for the purposes of efficient portfolio management as defined in this section ("EPM"). Permitted EPM transactions (excluding stocklending arrangements) are transactions in derivatives e.g. to hedge against price or currency fluctuations, dealt with or traded on an eligible derivatives market; off-exchange options or contracts for

differences resembling options; or synthetic futures in certain circumstances. There is no limit on the amount or value of the property of a Fund which may be used for EPM but the ACD must take reasonable care to ensure that the transaction is economically appropriate to the reduction of the relevant risks (whether in the price of investments, interest rates or exchange rates) or to the reduction of the relevant costs or to the generation of additional capital or income with no, or an acceptably low level of, risk. The exposure must be fully "covered" by cash or other property sufficient to meet any obligation to pay or deliver that could arise.

10.41.2 For each of the Funds except Insight Investment UK Equity Booster Fund, permitted transactions are those that the Company reasonably regards as economically appropriate to EPM, that is:

10.41.2.1 Transactions undertaken to reduce risk or cost in terms of fluctuations in prices, interest rates or exchange rates where the ACD reasonably believes that the transaction will diminish a risk or cost of a kind or level which it is sensible to reduce; or

10.41.2.2 Transactions for the generation of additional capital growth or income for a Fund by taking advantage of gains which the ACD reasonably believes are certain to be made (or certain, barring events which are not reasonably foreseeable) as a result of:

(a) pricing imperfections in the market as regards the property which a Fund holds or may hold; or

(b) receiving a premium for the writing of a covered call option or a covered put option on property of a Fund which the Company is willing to buy or sell at the exercise price, or

(c) stocklending arrangements.

A permitted arrangement in this context may at any time be closed out.

10.41.2.3 In the case of the Insight Investment UK Equity Booster Fund only, EPM shall mean the use of techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way; and
- (b) they are entered into for one or more of the following specific aims:
  - reduction of risk;
  - reduction of cost;
  - generation of additional capital or income for the Company with a risk level which is consistent with the risk profile of the Company and the risk diversification rules laid down in the COLL Sourcebook

#### 10.42 **Stocklending**

10.42.1 As an extension of EPM, the Company (or the Depositary at the request of the Company) may enter into stocklending arrangements or repo contracts if it reasonably appears to the ICVC or ACD to be appropriate to do so with a view to generating additional income for the fund with an acceptable degree of risk.

10.42.2 Any stocklending arrangements or repo entered into must be of the kind described in section 263 B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263 C), but only if:

10.42.2.1 all the terms of the agreement under which securities are to be reacquired by the Depositary for the account of the Company are in a form which is acceptable to the Depositary and are in accordance with good market practice;

10.42.2.2 the counterparty is:

- (a) an authorised person; or
- (b) a person authorised by a Home State regulator; or
- (c) a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America; or
- (d) a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America: the Office of the Comptroller of the Currency; the Federal Deposit Insurance Corporation; the Board of Governors of

the Federal Reserve System; and the Office of Thrift Supervision; and

10.42.2.3 collateral is obtained to secure the obligation of the counterparty under the terms referred to in 38.3.1 and the collateral is:

(a) acceptable to the Depositary;

(b) adequate ; and

(c) sufficiently immediate .

10.42.3 The counterparty for the purpose of paragraph 10.42.2 is the person who is obliged under the agreement referred to in paragraph 10.42.2.1 to transfer to the Depositary the securities transferred by the Depositary under the stock lending arrangement or securities of the same kind.

10.42.4 Paragraph 10.42.2.3 does not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities Lending and Borrowing Programme.

#### 10.43 **Treatment of collateral**

10.43.1 Collateral is adequate for the purposes of this paragraph only if it is:

10.43.1.1 transferred to the Depositary or its agent;

10.43.1.2 at least equal in value, at the time of the transfer to the Depositary, to the value of the securities transferred by the Depositary; and

10.43.1.3 in the form of one or more of:

10.43.1.4 cash; or

10.43.1.5 a certificate of deposit; or

10.43.1.6 a letter of credit; or

10.43.1.7 a readily realisable security ; or

10.43.1.8 commercial paper with no embedded derivative content;  
or

10.43.1.9 a qualifying money market fund.

- 10.43.2 Where the collateral is invested in units in a qualifying money market fund managed or operated by (or, for an ICVC, whose authorised corporate director is) the ACD or an associate of the ACD, the conditions in paragraph 10.17.1.7 must be complied with.
- 10.43.3 Collateral is sufficiently immediate for the purposes of this paragraph if:
- 10.43.3.1 it is transferred before or at the time of the transfer of the securities by the Depositary; or
  - 10.43.3.2 the Depositary takes reasonable care to determine at the time referred to in paragraph 10.43.3.1 that it will be transferred at the latest by the close of business on the day of the transfer.
- 10.43.4 The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. Each business day, collateral held in respect of each stocklending transaction is revalued. Where, due to market movements, the value of the collateral is less than the value of the loaned securities, the Company is entitled to call for additional collateral from the counterparty such that the value of the collateral and margin requirements is maintained. In the event there is a decline in the value of the collateral which exceeds the value of the margin held by the depositary, a counterparty credit risk will arise pending delivery of the additional collateral. In the normal course of events, additional collateral is delivered the following business day.
- 10.43.5 The duty in paragraph 10.43.4 may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.
- 10.43.6 Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) under this paragraph may be regarded, for the purposes of valuation and pricing of the Company or this section, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the authorised fund.
- 10.43.7 Collateral transferred to the Depositary is part of the scheme property for the purposes of the rules in the COLL Sourcebook, except in the following respects:

10.43.7.1 it does not fall to be included in any calculation of NAV or this section, because it is offset under paragraph 10.43.6 by an obligation to transfer; and

10.43.7.2 it does not count as scheme property for any purpose of this section other than this paragraph.

10.43.8 Paragraphs 10.43.6 and 10.43.7.1 not apply to any valuation of collateral itself for the purposes of this paragraph.

## 11. **ELIGIBLE MARKETS**

All the Funds may deal through markets established in an EEA State on which transferable securities and money market instruments admitted to official listing in the EEA State are dealt in or traded.

Each Fund may also deal through the securities markets and derivatives markets indicated below:

11.1 Eligible securities markets

		Insight Monthly Income Bond Fund	Insight Equity Investment UK Booster Fund	Insight Investment UK Broad Market Bond Fund	Insight Investment UK Corporate All Maturities Bond Fund	Insight Investment UK Corporate Long Maturities Bond Fund	Insight Investment UK Government All Maturities Bond Fund	Insight Investment UK Government Long Maturities Bond Fund	Insight Investment UK Index-Linked Bond Fund
Australia	Australian Stock Exchange			●	●	●	●	●	●
Canada	Toronto Stock Exchange			●	●	●	●	●	●
Japan	Tokyo Stock Exchange			●	●	●	●	●	●
Switzerland	Swiss Exchanges			●	●	●	●	●	●
United States	NYSE Amex Equities			●	●	●	●	●	●
Other	International Capital Market Association	●		●	●	●	●	●	●

11.2 Eligible derivatives markets

		Insight Monthly Income Bond Fund	Insight Equity Investment Income Booster Fund	Insight Investment Broad Market Bond Fund	Insight Corporate All Maturities Bond Fund	Insight Investment Long Maturities Bond Fund	Insight Government All Maturities Bond Fund	Insight Government Long Maturities Bond Fund	Insight Investment UK Index-Linked Bond Fund
Canada	Montreal Stock Exchange			●	●	●	●	●	●
Germany	Eurex Deutschland	●		●	●	●	●	●	●
Singapore	Singapore Exchange			●	●	●	●	●	●
Switzerland	Eurex Zurich	●							
UK	Euronext LIFFE	●	●	●	●	●	●	●	●
United States	Chicago Board of Trade	●		●	●	●	●	●	●

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		Insight Monthly Fund	Insight Equity Fund	Insight Broad Market Bond Fund	Insight Corporate Bond Fund	Insight Corporate Bond Fund	Insight Government Bond Fund	Insight Government Maturities Bond Fund	Insight Index-Linked Bond Fund
		Income	Investment	Investment	Investment	Investment	Investment	Investment	Investment
		Investment	UK	UK	UK	UK	UK	UK	UK
		Bond	Booster	Bond	All	Long	All	Long	Bond
		Bond	UK	UK	Maturities	Maturities	Maturities	Maturities	Bond
Japan	Government								
UK	Government			●	●	●	●	●	●
Austria	Government								
Belgium	Government								
Denmark	Government								
Finland	Government								
France	Government								
Germany	Government								
Greece	Government								

		Insight Investment UK Index-Linked Bond Fund	Insight Investment UK Government Long Maturities Bond Fund	Insight Investment UK Government All Maturities Bond Fund	Insight Investment UK Corporate Long Maturities Bond Fund	Insight Investment UK Corporate All Maturities Bond Fund	Insight Investment UK Broad Market Bond Fund	Insight Investment UK Equity Income Booster Fund	Insight Investment UK Monthly Income Bond Fund	
Iceland	Government									
Ireland	Government									
Italy	Government									
Liechtenstein	Government									
Luxembourg	Government									
Netherlands	Government									
Norway	Government									
Portugal	Government									
Spain	Government									
Sweden	Government									
Canada	Government									

		Insight Investment UK Index-Linked Bond Fund	Insight Investment UK Government Long Maturities Bond Fund	Insight Investment UK Government All Maturities Bond Fund	Insight Investment UK Corporate Long Maturities Bond Fund	Insight Investment UK Corporate All Maturities Bond Fund	Insight Investment UK Broad Market Bond Fund	Insight Investment UK Equity Income Booster Fund	Insight Investment UK Monthly Income Bond Fund	
Australia	Government									
New Zealand	Government									
Switzerland	Government									
International	Asian Development Bank									
International	Council of Europe Development Bank									
International	Deutsche Ausgleichsbank									
International	Eurofima									
International	European Bank for									

		Insight Investment UK Index-Linked Bond Fund							
		Insight Investment UK Government Long Maturities Bond Fund							
		Insight Investment UK Government All Maturities Bond Fund							
		Insight Investment UK Corporate Long Maturities Bond Fund							
		Insight Investment UK Corporate All Maturities Bond Fund							
		Insight Investment UK Broad Market Bond Fund							
		Insight Investment UK Equity Income Booster Fund							
		Insight Investment UK Monthly Income Bond Fund							
	Reconstruction and Development								
International	European Investment Bank								
International	Inter-American Development Bank								
International	International Bank for Reconstruction and Development								
International	International Finance Corporation								
International	Kreditanstalt								

		Insight Investment UK Index-Linked Bond Fund				
		Insight Investment UK Government Long Maturities Bond Fund				
		Insight Investment UK Government All Maturities Bond Fund				
		Insight Investment UK Corporate Long Maturities Bond Fund				
		Insight Investment UK Corporate All Maturities Bond Fund				
		Insight Investment UK Broad Market Bond Fund				
		Insight Investment UK Equity Income Booster Fund				
		Insight Investment UK Monthly Income Bond Fund				
			fur Wiederaufbau			
International	LCR Finance plc					
International	Nordic Investment Bank					
United States	Government					

## 12. **INDIVIDUAL SAVINGS ACCOUNTS**

In accordance with the Individual Savings Account Regulations 1998 as amended. Shares in all of the Funds are eligible for investment through an Insight Investment ISA.

## 13. **DISTRIBUTION OF INCOME**

- 13.1 The Company's annual accounting period ends on 31 August in each year, with an interim accounting period ending on the last day of February. The first accounting period of the Company shall end on 31 August 2003. Notwithstanding these dates, under the FSA Rules the ACD may, with the agreement of the Depositary, elect that a particular accounting period shall end on a day which is not more than seven days after or before the day on which the period would otherwise end. References to the above dates and the dates of income allocation periods and of publication of the yearly and half-yearly report of the Company should be read accordingly.
- 13.2 Allocation of income to holders of Accumulation Shares will be transferred to the capital property of each Fund at the end of the income allocation period and be reflected in the value of Shares on the first business day following the end of that income allocation period. Distribution of income to holders of Income Shares will be paid directly into a Shareholder's bank account, except in the case of investors who invested before 3 December 2007 where the ACD does not have details of the Shareholder's bank account, in which case distribution payments will be made by cheque on or before the relevant allocation dates shown in the table below. Where an investor who invested before 3 December 2007 has been given the opportunity by the ACD to provide details of their bank account, but has failed to do so, distributions will automatically be reinvested further shares of the appropriate class of the relevant Fund.
- 13.3 Any distribution of income that is unclaimed for a period of six years after having become due for payment, shall be forfeited and shall revert to the Fund to which such distribution relates.

<b><u>Fund Name</u></b>	<b><u>Income Allocation Periods</u></b>	<b><u>Income Distribution Dates for Holders of Income Shares*</u></b>
Insight Investment Monthly Income Bond Fund	1 September - 30 September 1 October - 31 October 1 November - 30 November 1 December - 31 December 1 January - 31 January 1 February - 28 February*1 March - 31 March 1 April - 30 April 1 May - 31 May 1 June - 30 June 1 July - 31 July 1 August - 31 August	15 November 15 December 15 January 15 February 15 March 15 April 15 May 15 June 15 July 15 August 15 September 15 October
Insight Investment UK Equity Income Booster Fund	1 September - 30 September 1 October - 31 October 1 November - 30 November 1 December - 31 December 1 January - 31 January 1 February - 28 February*1 March - 31 March 1 April - 30 April 1 May - 31 May 1 June - 30 June 1 July - 31 July 1 August - 31 August	15 November 15 December 15 January 15 February 15 March 15 April 15 May 15 June 15 July 15 August 15 September 15 October
Insight Investment UK Broad Markets Bond Fund	Twice Yearly on 28 February* 31 August	15 April 15 October
Insight Investment UK Corporate All Maturities Bond Fund	Twice Yearly on 28 February* 31 August	15 April 15 October
Insight Investment UK Corporate Long Maturities Bond Fund	Twice Yearly on 28 February* 31 August	15 April 15 October
Insight Investment UK Government All Maturities Bond Fund	Twice Yearly on 28 February* 31 August	15 April 15 October
Insight Investment UK Government Long Maturities Bond Fund	Twice Yearly on 28 February* 31 August	15 April 15 October
Insight Investment Index-Linked Bond Fund	Twice Yearly on 28 February* 31 August	15 April 15 October

\* 29 February in a leap year.

## 14. **HOW DISTRIBUTABLE INCOME IS DETERMINED**

- 14.1 The income available for distribution or accumulation in relation to a Fund is determined in accordance with the FSA Rules. In general terms, the income comprises all the sums deemed by the Company, after consultation with the Auditor, to be income in nature and received or receivable by the Company and attributable to the Fund in respect of the accounting period concerned, after deducting charges and expenses paid or payable out of such income and after making such adjustments in relation to taxation and other matters. The allocation of income to each Share Class is made after allowing for the effect, including attributable taxation, of any charges or expenses made on bases which vary by Share Class.
- 14.2 In the case of any Fund where the Company may, from time to time, consider it appropriate, it is the Company's policy to smooth the income payments during the accounting year with the balance of income (if any) being paid in respect of the final distribution period of an annual accounting period.
- 14.3 Income relating to a Fund is allocated at each Valuation Point among Classes of Shares linked to the Fund in proportion to the value of each Share Class relative to the value of the entire Fund as at the immediately preceding Valuation Point including any share class creation and cancellation movements applied at the immediately preceding Valuation Point.

## 15. **CHARACTERISTICS OF SHARES**

### 15.1 **Classes of Shares**

Several Classes of Share may be issued in respect of each Fund, distinguished by their criteria for subscription and fee structure.

All Classes are denominated in Sterling.

A Shares                      £3,000 minimum initial investment and £1,500 minimum subsequent investment. Shareholders must maintain a minimum holding of £2,000 in any one Fund. For investors via an Insight Investment Regular Savings Plan the minimum initial and subsequent investment is £250 per month. The minimum amount that may be redeemed at any one time is £500 subject to the minimum holding.

B Shares                      £500,000 minimum initial investment and £100,000 minimum subsequent investment. Shareholders must maintain a minimum holding of Shares of £100,000 in any one Fund. The minimum amount that may be redeemed at any one time is £10,000 subject to the minimum

holding.

F Shares	£3,000 minimum initial investment and £1,500 minimum subsequent investment. Shareholders must maintain a minimum holding of £2,000 in any one Fund. For investors via an Insight Investment Regular Savings Plan the minimum initial and subsequent investment is £250 per month. The minimum amount that may be redeemed at any one time is £500 subject to the minimum holding.
G Shares	G Shares are available only to The Bank Of New York Mellon Corporation and its subsidiaries. There is no minimum initial or subsequent subscription and no minimum redemption amount.
N Shares	£2,000 minimum initial investment and £1,000 minimum subsequent investment. Shareholders must maintain a minimum holding of £1,000 in any one Fund. For investors via an Insight Investment Regular Savings Plan the minimum initial and subsequent investment is £100 per month. The minimum amount that may be redeemed at any one time is £500 subject to the minimum holding.
P Shares	£1,000,000 minimum initial investment and £500,000 minimum subsequent investment. Shareholders must maintain a minimum holding of Shares of £1,000,000 in any one Fund. The minimum amount that may be redeemed at any one time is £500,000 subject to the minimum holding.
Ptrs2 Shares	Class Ptrs2 Shares are only available to certain investors, at the discretion of the ACD, who have a separate investment advisory mandate with the ACD or one of its associates. There is no minimum initial or subsequent subscription and no minimum redemption amount.
S Shares	Shares are only available to investors who have entered into a separate agreement with the ACD or one of its associates. Subject to the terms of any such separate agreement: (1) there is a £3,000,000 minimum initial investment and £1,000,000 minimum subsequent investment (2) Shareholders must maintain a minimum holding of £3,000,000 in any one Fund and (3) the minimum amount that may be redeemed at any one time is £1,000,000 subject to the minimum holding.

In addition, some Classes may be made available in both Income Shares and Accumulation Shares and also in both net Shares and gross Shares.

**Please note that gross Shares are available only to certain categories of investors, please section 15.2.3 below.**

The limits for minimal initial investment and minimum subsequent investment may be waived at the discretion of the ACD.

## 15.2 **Classes of Shares**

### 15.2.1 **Income Shares**

Holders of Income Shares are entitled to be paid the distributable income attributed to such Shares. Income is distributed twice yearly for Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund and monthly for Insight Investment Monthly Income Bond Fund.

### 15.2.2 **Accumulation Shares**

Holders of Accumulation Shares are not entitled to be paid the income attributed to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund on the relevant interim and/or annual accounting dates. This is reflected in the price of an Accumulation Share.

The Instrument of Incorporation allows gross income and gross Accumulation Shares be issued as well as net Income and net Accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of Income Shares) or credited periodically to capital (in the case of Accumulation Shares), in either case in accordance with relevant tax law, net of any tax deducted or accounted for by the Company. Gross Shares are Income or Accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any tax being deducted or accounted for by the Company. Currently, gross Shares are available in Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight

Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund. All references in this Prospectus to Income and Accumulation Shares are to both net income and net accumulation Shares and to gross income and gross accumulation shares unless otherwise stated.

Where a Fund has different Classes, each Class may attract different charges and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly.

### 15.2.3 **Gross Shares**

Gross Shares are available only to investors who qualify for the gross payment of interest distributions or accumulations, these include companies within the charge to UK Corporation Tax, trustees of authorised unit trusts, OEICs, certain pension funds, charities and persons who are not ordinarily resident in the UK. For a complete list, please refer to sections 349A and B and section 468M of the Income and Corporations Taxes Act 1988.

15.2.4 The Classes of Shares currently available in the Funds are set out below.

<b>Name of sub-fund</b>	<b>Share Class</b>
Insight Investment Monthly Income Bond Fund	A Accumulation Shares A Income Shares F Accumulation Shares F Income Shares N Accumulation Shares <sup>1</sup> N Income Shares <sup>1</sup> S Accumulation Shares S Income Shares
Insight Investment UK Equity Income Booster Fund	A Accumulation Shares A Income Shares B Accumulation Shares B Income Shares F Accumulation Shares F Income Shares S Accumulation Shares S Income Shares

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<sup>1</sup> Not available for further investment after 3 December 2007

Insight Investment UK Broad Market Bond Fund				Net P Accumulation Shares Net S Accumulation Shares Gross P Accumulation Shares Gross P Income Shares Gross S Accumulation Shares Gross S Income Shares
Insight Investment UK Corporate Maturities Bond Fund	All			Net P Accumulation Shares Net S Accumulation Shares Gross P Accumulation Shares Gross P Income Shares Gross S Accumulation Shares Gross S Income Shares
Insight Investment UK Corporate Maturities Bond Fund	Long			Net P Accumulation Shares Net P Income Shares Net S Accumulation Shares Gross P Accumulation Shares Gross P Income Shares Gross S Accumulation Shares Gross S Income Shares
Insight Investment UK Government Maturities Bond Fund	All			Net P Accumulation Shares Net S Accumulation Shares Gross G Income Shares Gross P Accumulation Shares Gross P Income Shares Gross Ptrs2 Accumulation Shares Gross S Accumulation Shares Gross S Income Shares
Insight Investment UK Government Maturities Bond Fund	Long			Net P Accumulation Shares Net S Accumulation Shares Gross P Accumulation Shares Gross P Income Shares Gross S Accumulation Shares Gross S Income Shares
Insight Investment UK Index-Linked Bond Fund				Net P Accumulation Shares Net P Income Shares Net S Accumulation Shares Gross P Accumulation Shares Gross P Income Shares Gross S Accumulation Shares Gross S Income Shares

### 15.3 **Bearer Shares**

The Instrument of Incorporation permits the Company to issue bearer shares. However, the Company only intends to issue registered shares at present.

### 15.4 **Title to Shares**

The title to Shares is evidenced by entries on the Register of Shareholders. Certificates for Shares will not be issued.

#### 15.5 **Shares to Different Denominations**

In order to calculate fractional entitlements of less than one Larger Denomination Share, Shares are expressed in two denominations - Larger Denomination Shares and Smaller Denomination Shares.

15.5.1 The Smaller Denomination Shares are whole Shares which carry a fraction of one thousandth of the rights of a Larger Denomination Share.

15.5.2 Whenever the number of any such Smaller Denomination Shares shall reach one thousand, the ACD shall consolidate the Smaller Denomination Shares into one Larger Denomination Share of the same Class.

#### 15.6 **Investor Profile**

The Funds are marketable to all retail investors, however, Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund are available only to investors who meet the criteria for, "P" Shares or "S" Shares. Gross Shares within the above mentioned Funds are only available to investors who qualify for the gross payment of interest distributions or accumulations. See section 15.2.3 for further details.

### 16. **SHAREHOLDER MEETINGS AND VOTING RIGHTS**

16.1 The Company does not hold annual general meetings.

16.2 The ACD may requisition a general meeting at any time.

16.3 Shareholders may also requisition a general meeting of the Company. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Company. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

16.4 In certain circumstances, the FSA Rules require that a resolution be passed as an extraordinary resolution, which is a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or

on a poll) for and against the resolution. In other cases, a resolution may be passed by a simple majority of the votes validly cast for and against the resolution.

- 16.5 The duly authorised representative of the ACD as nominated by the Depositary will preside as chairman at general meetings of the Company. If the representative is not present or declines to take the chair, the Shareholders may choose one of their number to be chairman.
- 16.6 The chairman of any quorate general meeting may with the consent of the general meeting, adjourn the meeting from time to time (or without specifying date) and from place to place, and if he is directed by the general meeting to adjourn he must do so. No business can be transacted at an adjourned general meeting which might not lawfully have been transacted at the meeting from which the adjournment took place.
- 16.7 At any meeting of Shareholders a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman, by the Depositary or, by at least two Shareholders present in person or by proxy or, in the case of a body corporate, by a duly authorised representative.
- 16.8 On a show of hands every Shareholder who (being an individual) is present in person or by proxy shall have one vote.
- 16.9 On a poll every Shareholder who is present in person or by proxy shall have one vote for every Larger Denomination Share and a further one thousandth of one vote for every Smaller Denomination Share of which he is a holder.
- 16.10 The quorum at a meeting of Shareholders shall be two Shareholders present in person or by proxy. The quorum for an adjourned meeting is one entitled to be counted in a quorum.
- 16.11 A corporation being a Shareholder may authorise such person as it thinks fit to act as its representative at any meeting of Shareholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual Shareholder.
- 16.12 The ACD shall be entitled to receive notice of and attend at any such meeting but shall not be entitled to vote or be counted in the quorum thereof and accordingly, the Shares held or deemed to be held by the ACD shall not be regarded as being in issue.
- 16.13 Any associate of the ACD shall not be entitled to vote at any such meeting except in respect of Shares which he holds on behalf of a person who, if himself

the registered holder, would be entitled to vote, and from whom he has received voting instructions.

- 16.14 In the case of joint Shareholders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint Shareholders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.
- 16.15 "Shareholders" in this context means Shareholders entered on the register at a time to be determined by the ACD and stated in the notice of the meeting which must not be more than 48 hours before the time fixed for the meeting.

## 17. **CLASS RIGHTS**

- 17.1 The rights attached to a Class of Shares may only be amended by a class meeting of Shareholders of that Class of Shares. Any amendment to the Instrument of Incorporation that relates to a particular Class or Classes of Shares and does not prejudice the Shareholders of any other Share Class may be made by an extraordinary resolution passed at a class meeting.
- 17.2 The provisions regarding the conduct of meetings set out above shall apply to meetings of a Fund or a Share Class within a Fund, but by reference to the Shares of the Fund or Share Class concerned and the prices of Shares in such Fund or Share Class.

## 18. **VALUATION**

- 18.1 The property of each Fund is valued daily at the Valuation Point on each Dealing Day in order to determine the price at which Shares in the Funds may be purchased from or redeemed by the ACD and created or cancelled by the Company.
- 18.2 The ACD reserves the right to carry out an additional valuation to the property of a Fund if it considers it desirable to do so. The ACD shall inform the Depositary of any decision to carry out an additional valuation.
- 18.3 An outline of the basis on which the property of each Fund is valued is as follows:
- 18.3.1 Units or shares in a collective investment scheme:
- 18.3.1.1 if a single price for buying and redeeming units or shares is quoted, at that price; or
- 18.3.1.2 if separate buying and redemption prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein

and the redemption price has been increased by any exit or redemption charge attributable thereto; or

- 18.3.1.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, or, if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares at a value which, in the opinion of the ACD, is fair and reasonable;
- 18.3.2 Exchange-traded derivative contracts:
  - 18.3.2.1 if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
  - 18.3.2.2 if separate buying and selling prices are quoted, at the average of the two prices;
- 18.3.3 Over-the-counter derivative contracts shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
- 18.3.4 Transferable securities:
  - 18.3.4.1 if a single price for buying and selling the investment is quoted, at that price; or
  - 18.3.4.2 if the investment is one for which different prices are quoted according to whether it is being bought or sold, at its mid-market price; or
  - 18.3.4.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, or, if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares at a value which, in the opinion of the ACD, is fair and reasonable.
- 18.3.5 Any fiscal charges or commissions or other charges that have been paid or are payable on the acquisition or disposal of the investments above are excluded from their value.
- 18.3.6 Cash and amounts held in current and deposit accounts and in other time related deposits shall be valued at their nominal values.
- 18.3.7 Any other investments:

- 18.3.7.1 if a single price for buying and redeeming the security is quoted, at that price; or
  - 18.3.7.2 if separate buying and redemption prices are quoted, at the average of the two prices; or
  - 18.3.7.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no recent price exists, or, if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares at a value which in the opinion of the ACD, is fair and reasonable;
- 18.3.8 Any property other than that described above: at a value which, in the opinion of the ACD, is fair and reasonable.
- 18.3.9 Deductions are made for anticipated tax liabilities, the principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings and for an estimated amount in respect of other liabilities payable out of a Fund.
- 18.3.10 An amount is added in respect of estimated recoverable tax of whatever nature which may be recoverable, a sum representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received and any other amounts due to be paid into the Fund.
- 18.3.11 Currencies or values in currencies other than Sterling shall be converted at the relevant valuation point at a rate of exchange that is not likely to result in any material prejudice to the interests of shareholders or potential shareholders.
- 18.3.12 Where the ACD has reasonable grounds to believe that the price obtained is unreliable or the most recent price available does not reflect the ACD's best estimate of the value of the relevant investment at the relevant Valuation Point or no price or no recent price exists, the ACD may use a price which, in the opinion of the ACD reflects a fair and reasonable price for that investment (the fair value price).
- 18.4 The proportionate interests of each Share Class in the assets and income of a Fund shall be determined by the ACD as the proportion of the property of that Fund that is held by that Share Class at the end of the previous business day.
- 18.5 The proportion of assets and income allocated to each Share Class is made after allowing for the effect, including attributable taxation, of any charges and expenses made on bases which vary by Share Class.

18.6 The price per Share at which Shares are bought or are redeemed is the Net Asset Value per Share. Any initial charge, redemption charge or stamp duty reserve tax provision is payable in addition to that price.

## 19. CHARGES

All fees and expenses payable out of the property of the Funds or by Shareholders are set out in this section, section 20 and section 21.

### 19.1 Preliminary Charge

The ACD is permitted to make a preliminary charge on the sale of Shares to an investor. The percentage rates of charge are shown in the table below. See section 19.4.

Fund	Preliminary Charge as a Percentage of the Price of a Share					
	A Shares	B Shares	F Shares	G Shares	N Shares	S Shares
Insight Investment Monthly Income Bond Fund	4.0%	N/A	0%	N/A	N/A	0%
Insight Investment UK Equity Income Booster Fund	4.0%	0%	0%	N/A	N/A	0%

Fund	Preliminary Charge as a Percentage of the Price of a Share					
	Gross G Shares	Net P Shares	Gross P Shares	Gross Ptrs2 Shares	Net S Shares	Gross S Shares
Insight Investment UK Broad Market Bond Fund	N/A	0%	0%	N/A	0%	0%
Insight Investment UK Corporate All Maturities Bond Fund	N/A	0%	0%	N/A	0%	0%
Insight Investment UK Corporate Long Maturities Bond Fund	N/A	0%	0%	N/A	0%	0%
Insight Investment UK Government All Maturities Bond Fund	0%	0%	0%	4%	0%	0%
Insight Investment UK Government Long Maturities Bond Fund	N/A	0%	0%	N/A	0%	0%
Insight Investment UK Index-Linked Bond Fund	N/A	0%	0%	N/A	0%	0%

The ACD may not increase the preliminary charge unless it does so in accordance with the FSA Rules.

## 19.2 Periodic Charges

- 19.2.1 The ACD may make a periodic charge which shall be paid out of the property of the Funds monthly in arrears at the annual percentage rate shown in the table in section 19.2.4 below. This is calculated and accrued daily, based on the value of the property of the Fund on the preceding business day.
- 19.2.2 In the case of Insight Investment Monthly Income Bond Fund and the Insight Investment UK Equity Income Booster Fund, this charge will be deducted from the capital property of the Fund, and in the case of the other Funds this charge will be deducted from the income property of each Fund.
- 19.2.3 Where the charge is normally deducted from the income of a Fund but the income generated is insufficient, the charge may then be deducted from the capital property of the Fund. In the case of Insight Investment Monthly Income Bond Fund and Insight Investment UK Equity Income Booster Fund, the Funds are structured to concentrate on the generation of income and the entire periodic charge, and in the case of Insight Investment UK Equity Income Booster Fund all charges and expenses, are taken from the capital property of the Fund which may accordingly constrain capital growth.
- 19.2.4 The annual percentage rate of the periodic charge permitted is shown below. The charges vary between the Funds and are as follows:

Fund	Annual Periodic Charge					
	A Shares	B Shares	F Shares	G Shares	N Shares	S Shares
Insight Investment Monthly Income Bond Fund	1.10%	N/A	0.75%	N/A	1.50%	0%
Insight Investment UK Equity Income Booster Fund	1.50%	0.75%	1.00%	N/A	N/A	0%

Fund	Annual Periodic Charge					
	Gross G Shares	Net P Shares	Gross P Shares	Gross Ptrs2 Shares	Net S Shares	Gross S Shares
Insight Investment UK Broad Market Bond Fund	N/A	0.3%	0.3%	N/A	0.3%	0%
Insight Investment UK Corporate All Maturities Bond Fund	N/A	0.3%	0.3%	N/A	0.3%	0%
Insight Investment UK Corporate Long Maturities Bond Fund	N/A	0.3%	0.3%	N/A	0.3%	0%
Insight Investment UK Government All Maturities Bond Fund	0%	0.3%	0.3%	1%	0.3%	0%
Insight Investment UK Government Long Maturities Bond Fund	N/A	0.3%	0.3%	N/A	0.3%	0%
Insight Investment UK Index-Linked Bond Fund	N/A	0.3%	0.3%	N/A	0.3%	0%

19.2.5 The ACD may not increase any charge it takes from a Fund unless it does so in accordance with the FSA Rules.

### 19.3 Redemption Charge

The ACD may make a charge (a “redemption charge”) upon: (i) a redemption of shares by the ACD as principal; or (ii) a cancellation of shares by the ACD acting on behalf of the Company; or (iii) a cancellation of shares by the Company at the request of the Shareholder.

The ACD does not at present intend to make any redemption charge on any Share class other than Sterling N Shares. Before the ACD commences to make any such charge, it will notify holders and revise the Prospectus as required by the FSA Regulations. If introduced, a redemption charge would not apply to shares issued before the date of such introduction.

In the case of Sterling N Shares, the ACD may impose a redemption charge up to the following maximum (as a percentage of the payment otherwise due to the Shareholder):

19.3.1 For Shares redeemed at any time up to 1 year from their date of purchase: 5%.

19.3.2 For Shares held over 1 year and up to 2 years from their date of purchase: 4%.

- 19.3.3 For Shares held over 2 years and up to 3 years from their date of purchase: 3%.
- 19.3.4 For Shares held over 3 years and up to 4 years from their date of purchase: 3%.
- 19.3.5 For Shares held over 4 years and up to 5 years from their date of purchase: 2%.
- 19.3.6 For Shares held over 5 years and up to 6 years from their date of purchase: 1%
- 19.3.7 For Shares held over 6 years from their date of purchase: 0%

Redemption charges will not apply to Shares purchased with re-invested distributions or rebated trailing commission and in the event of a partial redemption of a Shareholder's Sterling N Shares, any Shares purchased by reinvested distributions or rebated trailing commission will be sold prior to any other Sterling N Shares held by the Shareholder in the same Fund.

In relation to the imposition of a redemption charge as set out above, where Shares of the class in question in the relevant Fund have been purchased at different times by a redeeming Shareholder, the Shares to be redeemed shall be deemed to be the Shares purchased first in time by that Shareholder.

Where N Shares have been acquired as a result of a scheme of amalgamation, their date of purchase for this purpose shall be the date of the purchase of the corresponding shares in the relevant predecessor fund.

#### 19.4 **Dilution**

A Fund may suffer dilution (reduction) in the value of its property as a result of the costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of these investments.

These costs could have an adverse effect on the value of the Funds, known as "dilution". In order to mitigate the effect of dilution the Regulations allow the ACD to adjust the sale and purchase price of Shares in the Funds to take into account the possible effects of dilution. This practise is known as making a "dilution adjustment" or operating single swinging pricing. The power to make a dilution adjustment may only be exercised for the purpose of reducing dilution in the Funds.

The dilution adjustment is calculated using the estimated dealing costs of the Fund's underlying investment and taking into consideration any dealing spreads, commission and transfer taxes. The need to make a dilution adjustment will

depend on the difference between the value of Shares being acquired and the value of Shares being redeemed.

The ACD's current policy is that it will normally make a dilution adjustment whenever there are net purchases or net sales of Shares. Where the Fund is experiencing net acquisitions of its Shares the dilution adjustment would increase the price of Shares above their mid-market value. Where the Fund is experiencing net redemptions the dilution adjustment would decrease the price of Shares to below their mid-market value. A dilution adjustment will not be charged where purchases and sales of shares exactly balance one another. In the event that a dilution adjustment is made it will be applied to all transactions in the Fund during the relevant Dealing Day and all transactions on that day will be dealt at a price inclusive of the dilution adjustment.

The ACD reserves the right however not to impose a dilution adjustment in exceptional circumstances where it would, in its opinion, not be in the interests of Shareholders to do so.

The ACD's decision on whether or not to make this adjustment, and at what level this adjustment might be made in a particular case or generally, will not prevent it from making a different decision on future similar transactions.

On the occasions when a dilution adjustment is not applied if the Fund is experiencing net purchases or net sales of Shares there may be an adverse impact on the assets of the Fund attributable to each underlying Share, although the ACD does not consider this to be likely to be material in relation to the potential future growth in value of a Share.

As dilution is directly related to the inflows and outflows of monies from the Fund it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the ACD will need to make a dilution adjustment. However, the likelihood is that a dilution adjustment will be made every Dealing Day in each Fund when Shares in that Fund are purchased or sold.

The dilution adjustment will be applied to the mid price for the Shares resulting in a figure calculated to four significant figures. The price of each Class of Share in each Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Shares of each Class identically.

As an indication of likely rates of dilution adjustment, set out below are the rates applied in February 2012 based on transactional data from 16 September 2011 to 15 December 2011:

<b>Fund</b>	<b>Rate of dilution adjustment from mid-market price where experiencing net sales</b>	<b>Rate of dilution adjustment from mid-market price where experiencing net redemptions</b>
Insight Investment Monthly Income Bond Fund	0.733	0.733
Insight Investment UK Equity Income Booster Fund	0.745	0.245
Insight Investment UK Broad Market Bond Fund	0.362	0.362
Insight Investment UK Corporate All Maturities Bond Fund	0.639	0.639
Insight Investment UK Corporate Long Maturities Bond Fund	0.792	0.792
Insight Investment UK Government All Maturities Bond Fund	0.066	0.066
Insight Investment UK Government Long Maturities Bond Fund	0.055	0.055
Insight Investment UK Index-Linked Bond Fund	0.366	0.366

#### 19.5 **Switching Fee**

The ACD may charge a switching fee when Shares of a Fund are switched for Shares in another Fund. Please see section 24 for details.

#### 19.6 **Expenses of the ACD**

The Company will also pay to the ACD out of the scheme property any expenses incurred by the ACD or its delegates of the kinds described below under "Other payments out of the scheme property of the Company", including legal and professional expenses of the ACD and its delegates in relation to the proper performance of the ACD's duties under the ACD Agreement, or related to documents amending the ACD Agreement.

#### 19.7 **General Administration Charge**

The ACD may make a General Administration Charge (the General Administration Charge) which shall be paid out of the property of the Funds monthly in arrears and be calculated and accrued daily based on the value of the property of the Fund on the preceding business day.

The General Administration Charge reimburses the ACD for any of the costs, charges, fees and expenses in relation to the administration of a Fund which it pays on behalf of the Fund including the following:

- 19.7.1 all expenses incurred in preparing valuations of scheme property and publishing prices of Shares;
- 19.7.2 all postage and communication costs incurred in the proper performance of duties under the ACD Agreement;
- 19.7.3 all expenses incurred in producing and distributing any prospectus of the Company;
- 19.7.4 all expenses of the ACD in buying or selling Shares (but excluding any commissions or similar payments as the Company is prohibited from making any such payments under the FSA Rules);
- 19.7.5 the Registrar's fees (and any VAT thereon);
- 19.7.6 the costs in relation to the preparation of a simplified prospectus, key investor information or supplementary information documents;
- 19.7.7 any costs incurred by the Company in publishing the prices of Shares, including the costs of listing the prices of Shares in publications and information services selected by the ACD, including the Financial Times;
- 19.7.8 any expenses incurred in relation to company secretarial duties, including all costs incurred in preparing accounts and producing and despatching annual, half-yearly and other reports of the Company;
- 19.7.9 any costs incurred in producing and despatching dividend or other payments of the Company; and
- 19.7.10 VAT where payable on the above charges.

The costs relating to the administration of the Funds are based on a number of fixed and variable elements and consequently will vary from time to time (please see the next paragraph for more detail and section 19.8 immediately below in relation to how the General Administration Charge is reviewed and adjusted). The current rate applicable for the General Administration Charge for each Fund is 0.4% per annum of the Net Asset Value of the Fund. The General

Administration Charge may, however, be waived in whole or in part by the ACD at its discretion in relation to any Fund., where the ACD considers it appropriate to do so, given the impact the General Administration Charge would otherwise have upon the total expense ratio (or ongoing charges) of that Fund. After taking account of any waiver, the resultant rate of the General Administration Charge for each Fund will be reflected in the total expense ratio (or ongoing charges) of that Fund which is published by the ACD from time to time in the Company's Simplified Prospectus or key investor information documents.

The General Administration Charge for each Fund is based on a reasonable reflection of the fund administration costs which the ACD incurs across its authorised fund range. As the General Administration Charge is calculated at a single rate across the range, for any single Fund the amount charged may be more or less than the costs that would be attributable to that Fund if, as with a more specific charging method for the recovery of costs, these were allocated to and recovered from the Fund on an individual basis for each cost. This may mean that some of the ACD's funds are in effect subsidising other funds. For the avoidance of doubt, the ACD is not accountable to Shareholders should the aggregate fees generated by the General Administration Charge in any period for a Fund in fact be more than the fund administration costs actually attributable to that Fund.

#### **19.8 Increase in the Preliminary Charge or Periodic Charges and changes in the General Administration Charge**

Any increase of the preliminary charge, periodic charge or General Administration Charge may be made by the ACD, if it is deemed by the ACD to be a significant rather than a fundamental change, as set out in the provisions of the FSA Rules only after giving 60 days' written notice to the Shareholders (in the case of an increase of the periodic charge and the General Administration Charge) or the regular savers (in the case of the preliminary charge).

If such a change is deemed fundamental, it will require the approval of the Shareholders.

The rate of the General Administration Charge will be reviewed by the ACD periodically, and at least every 24 months following its introduction, and if necessary adjusted, to ensure that it continues to reflect the fund administration costs which the ACD incurs.

#### **19.9 Rebate of Preliminary Charge or Periodic Charges; Commission**

The ACD may at its sole discretion rebate its preliminary or periodic charges in respect of any application for, holding of, shares. Similarly the Company may rebate or waive its charges in relation to any exchange of shares. A proportion of the preliminary charge may be rebated to the introducer (the investor's financial

intermediary) in the form of commission payment. The investor should check with the intermediary the amount of commission he has received.

## 20. **DEPOSITARY'S REMUNERATION AND EXPENSES**

### 20.1 **Periodic Charge**

The remuneration of the Depositary will be paid out of the property of the Funds monthly in arrears and will consist of a periodic charge, calculated and accrued daily, based on the value of the property of the Fund on the preceding business day. The periodic charge will be at such annual percentage rate (before VAT) of the value of the property of the Fund as the ACD and Depositary may from time to time agree. The periodic charges are 0.01% (1 basis point) on first £50 million of each Fund, 0.005% (1/2 basis point) on the next £100 million of each Fund and 0.0025% (¼ basis point) on the balance of each Fund.

All charges are subject to an addition for VAT.

20.2 The Depositary is also entitled to receive out of the property of each Fund remuneration for performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or the FSA Rules. The Depositary's remuneration shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears on the next following date on which payment of the Depositary's periodic charge is to be made or as soon as practicable thereafter. Currently the Depositary does not receive any remuneration under this section 20.2.

### 20.3 **Depositary's Expenses**

The Depositary will be reimbursed by the Company for expenses properly incurred in performing or arranging for the performance of functions conferred on it by the Regulations, the Instrument of Incorporation, the Prospectus, the FSA Rules, the Depositary Agreement or by general law. These functions may include (without limitation of the foregoing) custody, insurance, acquisition and dealing with assets of the Company; making deposits or loans, dealing with borrowings, effecting foreign currency dealings and effecting efficient portfolio management transactions, as permitted by the FSA Rules; collection of income or capital; submissions of tax returns and handling tax claims; preparation of the Depositary's annual report; calling Shareholders' meetings and communicating with Shareholders; preparing; clearing and despatching distribution warrants; obtaining professional advice; conducting legal proceedings; carrying out administration relating to the Company; supervision of certain of the activities of the ACD and such other duties as the Depositary is permitted or required by law to perform.

On the winding up of the Company, a Fund or the redemption and cancellation of a Class of Shares, the Depositary will be paid all accrued and owing fees, charges and reimbursement of expenses due up to the date of commencement of the winding up or due in relation to the redemption and cancellation of the relevant Class of Shares (as appropriate) and any additional expenses necessarily arising out of or in connection with its obligations under this Agreement.

20.3.1 The Depositary has appointed The Bank of New York Mellon (“the Custodian”) as the Custodian of the property of the Company and is entitled to receive reimbursement of the Custodian’s fees as an expense of the Company. The Bank of New York Mellon’s remuneration for acting as Custodian is calculated at an ad valorem rate determined by the territory or country in which each Fund’s assets are held and currently range from 0% to 0.5% per annum. The transaction and safekeeping fees for the principal investment markets of the Company currently range from £3 - £76.

20.3.2 The Depositary is also entitled to be reimbursed out of the property of each Fund in respect of remuneration charged by the Custodian for such services as the ACD, the Depositary and the Custodian may from time to time agree, being services delegated to the Custodian by the Depositary in performing or arranging for the performance of the functions conferred on the Depositary by the Instrument of Incorporation or FSA Rules. Remuneration charged under this paragraph shall accrue when the relevant transaction or other dealing is effected and shall be paid in arrears. Currently the Custodian does not receive any remuneration under this paragraph.

20.3.3 The following further expenses may also be paid out of the property of the Company:

20.3.3.1 all charges imposed by, and expenses of, any agents appointed by the Depositary to assist in the discharge of its duties;

20.3.3.2 all charges and expenses incurred in connection with the collection and distribution of income;

20.3.3.3 all charges and expenses incurred in relation to the preparation of the Depositary’s annual report to Shareholders;

20.3.3.4 all charges and expenses incurred in relation to stocklending.

Subject to current law and HM Revenue & Customs regulations, VAT at the prevailing rate may be payable in addition to the Depositary's remuneration, the Custodian's remuneration and the above expenses.

#### 20.4 **Increase in Depositary's remuneration and expenses**

The rate of the Depositary's annual remuneration, or transaction charges or charges for custody services may be increased only in accordance with the FSA Rules.

### 21. **OTHER PAYMENTS OUT OF THE FUND PROPERTY OF THE COMPANY**

21.1 In accordance with the ICVC and FSA Rules, the following payments may lawfully be made out of the property of the Funds:

21.1.1 broker's commission, fiscal charges and other disbursements which it is necessary to incur in effecting transactions for the Funds concerned and which are normally shown in contract notes, confirmation notes and difference accounts, as appropriate;

21.1.2 interest on borrowings permitted under the FSA Rules and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;

21.1.3 taxation and duties payable in respect of the property of the Funds or in respect of the issue of Shares in a Fund, including stamp duties or other taxes or duties in relation to the transfer to the Company of assets acquired in exchange for the issue of Shares;

21.1.4 any costs incurred in modifying the Instrument of Incorporation, including costs incurred in respect of meetings of Shareholders convened for purposes which include the modification of the Instrument of Incorporation where the modification is necessary to implement changes in the law, or necessary as a direct consequence of any change in the law, or expedient having regard to any change in the law made by, or under, any fiscal enactment and which the ACD and the Depositary agree is in the interests of Shareholders, or to remove obsolete provisions from the Instrument of Incorporation;

21.1.5 any costs incurred in respect of meetings of Shareholders, or class meetings of Shareholders of a Fund, including meetings convened on a requisition by Shareholders or by the ACD;

21.1.6 liabilities arising on amalgamation or reconstruction of the Company or any of its constituent Funds;

- 21.1.7 the audit fee of the Auditors of the Company (and VAT thereon) and any proper expenses of such an auditor;
- 21.1.8 the periodical fees of the FSA in respect of the Company as may be prescribed under the Financial Services and Markets Act 2000 (as amended), or any relevant regulations made thereunder and any payments otherwise due by virtue of the FSA Rules or the corresponding fees of any regulatory authority in a country or territory outside the UK in which the Shares are or may be marketed;
- 21.1.9 any fees, expenses or disbursements of any investment, legal or other professional adviser of the Company and those of the Company's sub-advisers;
- 21.1.10 all fees and expenses incurred in relation to the addition and initial organisation of any new Funds, the listing of Shares on any stock exchange, any offer of Shares (including the preparation and printing of any prospectus) and the creation, conversion and cancellation of Shares;
- 21.1.11 any costs incurred in taking out and maintaining an insurance policy in respect of the ACD and the Company; and
- 21.1.12 any value added or similar tax relating to any charge or expense set out above.

## 21.2 **Allocation of Assets, Charges and Expenses to Funds**

All fees, duties, charges and expenses (other than any borne by the ACD) are charged to the Fund in which they were incurred. However, where they are not attributable to a particular Fund, they will be allocated among the Funds in a manner which the ACD considers is fair to the Shareholders generally. The costs of authorisation of any new Fund may be borne by that Fund at the discretion of the ACD.

## 22. **BUYING AND SELLING OF SHARES**

- 22.1 Shares in any of the Funds may be bought or sold on any Dealing Day between 8.30 am and 5.30 pm.
- 22.2 Shares may be bought and sold by telephone (0845 777 2233) or by written instructions or by such other means as the ACD may make available from time to time. A purchase or sale of Shares in writing and/or by telephone is a legally binding contract.
- 22.3 Orders received and accepted by the ACD by the Valuation Point on a Dealing Day will be dealt with at the price calculated on that day. Orders received and

accepted after that time will be dealt with at the price calculated on the next Dealing Day.

- 22.4 A contract note giving details and, where appropriate, a notice of the applicant's right to cancel the transaction will be issued on the business day following the purchase or sale. Certificates will not be issued in respect of Shares in a Fund as ownership is evidenced by entry on the Register. In the case of a purchase of Shares, settlement will be required on receipt of the contract note. In the case of a redemption, the ACD will issue a settlement cheque within four working days of the later of the next Valuation Point after the receipt of the request to sell the Shares or receipt of a form of renunciation (copies of which may be obtained from the ACD). Any request for the redemption of Shares or form of renunciation must be signed by each of the holders of the relevant Shares. Settlement cheques will be drawn on a Client Money Account operated by the ACD in accordance with Chapter 9 of the FSA's Conduct of Business Sourcebook but no interest will be payable on any such amount once a cheque has been issued by the ACD.
- 22.5 The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

#### 22.6 **Suspension of Dealing**

The ACD may, with the prior agreement of the Depositary, or will, if the Depositary so requires at any time, suspend the purchase and redemption of Shares in any of the Funds, without notice to Shareholders, for a period not exceeding 28 days, if the ACD, or the Depositary, is of the opinion that, due to exceptional circumstances, there is good and sufficient reason to do so having regard to the interests of the Shareholders in the Fund concerned. If the redemption of Shares in a Fund is suspended, the obligations relating to the creation, cancellation, issue and redemption of Shares and the obligations relating to the valuation of Shares, contained in Chapter 4 of the FSA Rules, will cease to apply in respect of the Fund concerned.

During any suspension, a Shareholder may withdraw his redemption notice provided that such withdrawal is in writing and is received before determination of the suspension. Any notice not withdrawn will be dealt with on the Dealing Day next following the end of the suspension.

If such a suspension occurs the recalculation of the price of the units will recommence on the next Valuation Point following the resumption of dealing.

## 22.7 Pricing

The ACD deals on a forward pricing basis. A forward price is the price calculated at the next Valuation Point after receipt of a request for a purchase or sale.

The price of a Larger Denomination Share of any Class of Shares in a Fund shall be calculated by taking the proportion of the net asset value of all Shares of that Class (by reference to the most recent valuation of the scheme property) and dividing it by the number of Shares (expressed in terms of Larger Denomination Shares by aggregating every 1000 Smaller Denomination Shares into a Larger Denomination Share and, if appropriate, including any outstanding fractions of a Larger Denomination Share represented by any residual number of Smaller Denomination Shares) of the relevant Class in issue immediately before the relevant Valuation Point. The price will be expressed in pounds sterling and will be expressed to four significant figures. A Smaller Denomination Share will have a price which is one thousandth of the value of a Larger Denomination Share.

## 22.8 Publication of Prices of Shares

Prices of Shares are published daily on the Insight Investment website, [www.insightinvestment.com](http://www.insightinvestment.com) and are available by calling the Insight Investment Customer Services Team on 0845 777 2233. The ACD may, at its discretion, continue publishing prices of some or all shares in the Financial Times but may cease to do so without any further notice to investors at any time.

## 22.9 In Specie Redemption

If a Shareholder requests the redemption or cancellation of Shares representing more than either 5 per cent of the value of the relevant Fund or £2 million, the ACD may, at its discretion, arrange that in lieu of payment of the price of the Shares in cash, the Company shall cancel the Shares and transfer to that Shareholder property of the Fund of the relevant value or, if required by the Shareholder, the net proceeds of the sale of the relevant property to him. The ACD must give written notice to the Shareholder concerned of its decision to exercise these powers before the cash payment would otherwise be due. The Fund property to be transferred (or sold) will be selected by the ACD in consultation with the Depositary and with a view to achieving no more advantage or disadvantage to the Shareholder requesting redemption of his Shares than to continuing Shareholders. The Company may retain out of the Fund property to be transferred (or the proceeds of the sale), property or cash of a value or amount equivalent to any stamp duty reserve tax to be paid in relation to the redemption or cancellation of Shares.

## 22.10 Issue of Shares in exchange for in specie assets

The ACD may arrange for the Company to issue Shares in exchange for assets other than cash, but will only do so where the ACD and Depositary are satisfied that the acquisition of those assets in exchange for the Shares concerned by the Company is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

The ACD will ensure that the beneficial interest in the assets is transferred to the Company with effect from the issue of the Shares.

The ACD will not issue Shares in a Fund in exchange for assets the holding of which would be inconsistent with the investment objective of the Fund.

#### 22.11 **Compulsory Redemption**

The Shares in any Fund may be compulsorily redeemed or cancelled in accordance with the Instrument of Incorporation if the holding of any Shares by a Shareholder is, or is reasonably considered by the ACD to be, an infringement of any law or governmental regulations, or which would result in the Company incurring any liability to taxation or suffering any other adverse consequence.

### 23. **SWITCHING BETWEEN FUNDS OR CLASSES**

23.1 A Shareholder may give notice to the ACD, in such form as the ACD shall from time to time determine, that he wishes to exchange all or some of his Shares of one Class or Fund ("the Original Shares") for Shares of another Fund ("the New Shares"). Such switches can only take place if, following the switch, the Shareholder's holding of New Shares will satisfy the criteria and applicable minimum investment requirement of that Fund.

23.2 The ACD may impose restrictions on exchanges, but any restriction related to exchanges of Shares of different Funds must be on reasonable grounds relating to the circumstances of the Shareholder concerned.

23.3 The number of New Shares to be issued to the holder on a switch will be determined by reference to the respective prices of New Shares and Original Shares at the Valuation Point applicable at the time the Original Shares are redeemed and the New Shares are issued. The following formula will be applied:

$$N = O \times \frac{CP}{SP} \times (1-IC)$$

SP

Where : N is the number of New Shares to be issued or sold, rounded down to the nearest whole number of Smaller Denomination Shares

- O is the number of Original Shares which the holder has requested to exchange
- CP is the price at which a single Original Share may be redeemed
- IC is the charge (Switching Fee) expressed as a fraction of the value of the Original Shares that the ACD may levy on a switch between Funds. In no event will that charge exceed the amount of the preliminary charge that applies to the New Shares. This charge may be waived in whole or in part at the discretion of the ACD.
- SP is the price at which a single New Share may be purchased when the Shares are exchanged

23.4 The ACD may adjust the number of New Shares to be issued to reflect the application of any charge on switching together with any other charges or levies in respect of the application for the New Shares or redemption of the Original Shares as may be permitted pursuant to the FSA Rules.

23.5 The ACD may at its discretion make a charge on the switching of Shares between Funds. Any such charge on switching will be deducted from the value of the Original Shares before the purchase of the New Shares, but will not in any event exceed the amount of the preliminary charge at that date for the New Shares.

An exchange of Shares in one Fund for Shares in another Fund will be treated as a redemption and sale and will, for persons subject to UK taxation, be a realisation for the purposes of capital gains tax, which may give rise to a liability to tax, depending on the Shareholder's circumstances.

In no circumstances will a Shareholder who exchanges Shares in one Fund for Shares in another Fund be given a right by law to withdraw from, or cancel, the transaction. Shares cannot be converted during a period when dealings in Shares of the relevant Fund or Funds are suspended by the Company pursuant to the FSA Rules and the right of a Shareholder to convert during a period of suspension is similarly suspended.

## 24. **GENERAL INFORMATION**

### 24.1 **Reports and Accounts**

The annual report in respect of the Company will be published within four months of the end of the annual accounting period which ends on 31 August. The half-yearly accounting period ends on the last day of February and half-

yearly reports will be made up to such date each year and published within two months. The accounts contained in the annual and half-yearly reports will be prepared in accordance with the FSA Rules and the Statement of Recommended Practice for Financial Statements of Authorised Funds. Shareholders will receive copies of the short reports on publication, and a copy of the long report will be available on request.

## 24.2 **Inspection of Documents**

Copies of the Instrument of Incorporation (as amended), the material contracts referred to below at 24.4, any amending instrument and the most recent annual and half-yearly reports may be inspected and obtained free of charge during normal office hours from:

Head of Client Services  
Insight Investment Funds Management Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

## 24.3 **Register of Shareholders**

The Register of Shareholders for each of the Funds of the Company can be inspected at the office of the Registrar at 12 Blenheim Place, Edinburgh, EH7 5ZR. Any notice or document required to be sent to or served on Shareholders will be sent either by first class post to the address as most recently notified to the Company and as entered on the Register of Shareholders, or electronically to the email address most recently notified to the Company (where a Shareholder has consented to the receipt of documents and notices electronically), at the ACD's discretion.

## 24.4 **Material Contracts**

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

- 24.4.1 the ACD Agreement dated 19 September 2002 between the Company and the ACD;
- 24.4.2 the Depositary Agreement between the ACD, the Company and novated in favour of the Depositary with effect from 14 October 2011; and
- 24.4.3 the Investment Advisory Agreement dated 26 October 2005 between the Company and the Investment Advisor.

Details of the above contracts are given under the heading "Management and Administration" in sections 3 to 5.

## 25. **TAXATION**

The following statements are based on our current understanding of UK law and HM Revenue & Customs practice as known at the date of this Prospectus. They summarise the tax position of the Funds and of individual Shareholders who are UK resident and hold their shares as investments. Shareholders are recommended to consult their professional adviser if they are in any doubt as to their individual tax position or if they may be subject to tax in a jurisdiction other than the UK.

### **The Funds**

Each Fund is treated as a separate open-ended investment company for tax purposes.

Funds may receive dividends in respect of investments in UK equities and non-UK equities. These are generally not subject to corporation tax in the Fund. Each Fund is liable to UK corporation tax at the current rate of 20% on its other types of income after deducting management expenses, charges and the gross amount of any interest distributions.

The Funds are exempt from UK corporation tax on capital gains realised on the disposal of investments (including interest-paying securities and derivatives) held within them.

### **Income Tax**

On the specified allocation dates each Shareholder becomes entitled to a distribution which will be automatically retained in the Fund in the case of Accumulation Shares. The distribution is treated as income for tax purposes regardless of the fact that the Shares may be Accumulation Shares. With each distribution the ACD will send a tax voucher showing the amount of income to which each Shareholder is entitled, the nature of the distribution and related tax credit. Notes printed on the tax voucher indicate how the amount should be reflected in the Shareholder's tax return.

Distributions paid may be either Dividend Distributions or Interest Distributions, depending on the nature of the investments of the Fund concerned. Interest Distributions can be made only where the market value of the Fund's interest-bearing investments and cash on deposit exceeds 60% of the market value of all its assets throughout the accounting period to which it relates.

Insight Investment Monthly Income Bond Fund, Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund, will be invested primarily in gilts and corporate bonds and will therefore pay Interest Distributions. All other Funds will pay Dividend Distributions.

### **Dividend Distributions**

Dividend Distributions to non-corporate Shareholders carry a tax credit at a rate of 10%.

Basic rate taxpayers will be liable to income tax on their dividend income at the dividend ordinary rate of 10%. Therefore the 10% tax credit on Dividend Distributions will satisfy the liability to UK income tax of basic rate taxpayers. A basic rate taxpayer will have no further tax liability.

Shareholders liable to UK income tax at the higher rate (currently 40%) must account to HM Revenue & Customs for any further tax due on the gross amount of the income, that is the distribution plus the tax credit. Higher rate taxpayers will be liable to income tax on their grossed up dividend income at the upper rate of 32½% but may offset the 10% tax credit against this liability. In other words, higher rate taxpayers will be liable to pay income tax equivalent to 25% of their net receipt. (From 6 April 2010, taxpayers whose income exceeds £150,000 per year will be subject to the new additional rate (50%) of income tax. They will be liable to income tax on their grossed up dividend income at the dividend additional rate of 42½% but may offset the 10% tax credit against this liability, as a result of which they will be liable to pay income tax approximately equivalent to 36% of their net receipt.)

It will not be possible for Shareholders to reclaim any amount in respect of the tax credit.

Holders of Income Shares will receive a distribution of the net income together with the tax credit. The net income accruing to holders of Accumulation Shares will be invested in the capital of the Fund; holders of these Shares will receive a tax credit.

### **Interest Distributions**

In the case of Insight Investment Monthly Income Bond Fund, Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment

UK Index-Linked Bond Fund, where the total amount shown in the distribution accounts is shown as available for distribution as yearly interest, such amount will be treated as if it were a payment of yearly interest. The ACD will deduct income tax at the rate of 20% from payments to UK resident Shareholders who will receive credit for the tax deducted. Shareholders liable to UK income tax at the higher rate (currently 40%) must account to the HM Revenue & Customs for the further tax due of 20% on the gross amount of the interest. A basic rate taxpayer has no further tax liability. A starting rate on savings income (10%) taxpayer may reclaim 10% (half of the tax credit) from HM Revenue & Customs. (From 6 April 2010, individuals whose income exceeds £150,000 per year will be subject to the new additional rate (50%) of tax, and will therefore have further tax to pay on the gross amount of interest of 30%.)

Corporate Shareholders and certain others who are exempt from tax on income, including pension funds, charities and individuals whose Shares are held through an ISA may be eligible to receive distribution payments without the deduction of income tax.

The Interest Distribution will be set against the income of Insight Investment Monthly Income Bond Fund, Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund, subject to UK corporation tax with the result that the Fund will not normally pay corporation tax.

### **Non-Taxpayers**

#### **Charities**

Charities can no longer reclaim the tax credit on Dividend Distributions.

Income tax withheld from Interest Distributions and paid to the HM Revenue & Customs can be reclaimed by charities.

## **ISAs**

The tax credit on Dividend Distributions is no longer repayable to ISA holders.

Income tax withheld from Interest Distributions and paid to the HM Revenue & Customs is repayable to ISA holders.

## **Individuals**

Individual non-taxpayers cannot reclaim the tax credit on Dividend Distributions.

Income tax withheld from Interest Distributions and paid to HM Revenue & Customs can be reclaimed by individual non-taxpayers.

## **Pension Funds**

Pension funds cannot reclaim the tax credit on Dividend Distributions.

Income tax withheld from Interest Distributions and paid to HM Revenue & Customs can be reclaimed by pension funds.

## **Non-Resident Shareholders**

Shareholders who are not resident in the UK may be entitled to a repayment of all or part of the tax credit attached to an income distribution or accumulation. This entitlement is dependent on their personal circumstances and the terms of any double taxation agreement between the UK and the Shareholder's country of residence; typically these provide for full or partial repayment of tax deducted from Interest Distributions but little if any payment in respect of Dividend Distributions.

## **Corporation Tax**

### **Dividend Distributions**

Shareholders within the charge to UK corporation tax receive Dividend Distributions as franked investment income to the extent that the gross income less tax from which the distributions are made is franked investment income. To the extent to which the gross income less tax from which the Dividend Distributions are made is not wholly franked investment income, part of the distribution is received as an Annual Payment from which income tax at the lower rate of 20% has been deducted, the gross amount of which will be chargeable to corporation tax. The percentages to be used to calculate the allocation between franked investment income and unfranked income received will be set out on the tax voucher.

The corporate streaming rules also limit the maximum amount of income tax that may be reclaimed from HM Revenue & Customs on the unfranked stream. The maximum amount reclaimable by a Corporate Shareholder is the Corporate Shareholder's portion of the Fund's net liability to corporation tax in respect of gross income. The tax voucher will state the Fund's net liability to corporation tax in respect of the gross income. Additional information may also be provided on the tax voucher, for example, the net liability per Share.

### **Interest Distributions**

Shareholders chargeable to UK corporation tax receive Interest Distributions as Annual Payments from which income tax at the lower rate of 20% has been deducted, the gross amount of which will be chargeable to corporation tax (with credit for any income tax deducted). No tax will be deducted from holders of gross Shares.

### **Capital Gains Tax**

For holders of Shares in a Fund who are resident or ordinarily resident in the UK, the disposal of Shares in a Fund or the exchange of Shares in one Fund for Shares in another Fund may give rise to a liability to capital gains tax in respect of gains arising from the disposal (switches between Classes within a Fund should not give rise to a liability to capital gains tax).

Part of any increase in value of Accumulation Shares represents accumulated income (excluding tax credits). These amounts may be added to the allowable cost when calculating the capital gain realised on their disposal.

Individuals are only liable to capital gains tax if their total chargeable gains (net of allowable losses) in the year exceed the annual exemption (£10,600 for the 2011/2012 tax year). If gains in excess of this exemption are realised, the excess is taxable at the rate of 18% or 28% (the tax rate to be used will depend on the total amount of the individual's taxable income) (2011/2012).

Shareholders within the charge to UK corporation tax are chargeable to corporation tax on all such gains (other than on the Insight Investment Monthly Bond Fund, Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund) and net capital gains will normally be added to the profits charged to corporation tax. Indexation relief will be available. Corporate Shareholders in the Insight Investment Monthly Income Bond Fund, Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond

Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund must treat their holding as a creditor relationship subject to a fair value basis of accounting for corporation tax purposes.

### **Income Equalisation**

Since each Fund operates equalisation, the first allocation made after the acquisition of Shares will include an amount of equalisation. This amount represents the ACD's best estimate of the income included in the price at which the Shares were acquired (subject to grouping where appropriate) and represents a capital repayment for UK tax purposes which should be deducted from the cost of the Shares in arriving at any capital gain realised on their subsequent disposal. Income accumulated and income equalisation accumulated can be added to the cost of accumulation units in computing the amount of any gain.

### **Stamp Duty Reserve Tax**

Each Fund will be liable for SDRT on surrenders and certain other transfers of shares of the Funds. The cost of any SDRT which needs to be paid will be met out of the property of each Fund.

### **The SDRT System**

SDRT arises on the surrender (i.e. redemption or switching) and transfers of Shares. The charge is 0.5% of the value of surrenders and transfers in each Fund each week reduced proportionately to the extent that during that week and the following week the:

- (a) investments held by the Fund are exempt assets that is, broadly, any assets other than UK equities (this will reduce the charge to nil where a Fund is invested entirely in exempt assets); and
- (b) purchases of Shares are less by number than surrenders of Shares.

With a view to protecting Shareholders from a resulting diminution in the value of Shares, an authorised corporate director of an OEIC is permitted to require the payment of an SDRT provision as an addition to (but not as part of) the price of Shares when they are issued or purchased, and as a deduction when they are cancelled or redeemed.

### **Surrenders of Shares**

The ACD has decided that any SDRT will be borne by the Fund in question whatever the size of the deal.

## **Transfers of Shares**

Transfers of Shares from one Shareholder to another may be exempt from SDRT, depending on the circumstances. Shareholders transferring Shares should complete a stock transfer form in the normal way including any appropriate certificate on the reverse. Where there is no appropriate certificate, evidence of an exemption from SDRT should be submitted with the transfer. In other cases, where SDRT applies to the transfer the ACD has decided that any SDRT triggered will be paid by the Fund.

## **Frequency of SDRT provision**

The ACD's policy to charge SDRT to the relevant Fund in all cases means that it has not and does not expect to levy an SDRT provision.

## **26. WINDING-UP AND TERMINATION**

### **26.1 Termination of a Fund**

A Fund may be terminated:

- 26.1.1 if an extraordinary resolution of the Shareholders of such Fund is passed to that effect; or
- 26.1.2 on the date of effect stated in any agreement by the FSA to a request by the ACD for the termination of such Fund; or
- 26.1.3 by the ACD in its absolute discretion if one year from the date of the first issue of Shares relating to that Fund or at any date thereafter, the net asset value of that Fund is less than £10,000,000.

Eligible registered Shareholders will be informed in writing if a Fund be terminated or have its authorisation revoked by the FSA.

Termination of a Fund commences upon the later of the time for termination of a Fund determined in accordance with the above circumstances and the time at which the FSA, having been supplied with a statement confirming the solvency of the Fund, approves, pursuant to the ICVC Regulations, the necessary changes to the Instrument of Incorporation and this Prospectus which would result from the termination of the Fund.

On the termination of a Fund (other than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required as soon as practicable after the Fund falls to be terminated, to realise the property of the Fund and pay the liabilities of the Fund out of the proceeds thereof.

Provided that there are sufficient liquid funds in the Fund property available after making adequate provision for the expenses of the termination and the discharge of the liabilities remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions out of the property of the Fund to the Shareholders proportionately to the right to participate in the Fund property attached to their respective Shares as at the date of the commencement of the termination.

When the ACD has caused all the Fund property to be realised and all of the liabilities known to the ACD to be met, the ACD shall arrange for the Depositary to make a final distribution, on or prior to the date on which the termination account is sent to Shareholders, of the balance remaining (net of a provision for any further expenses of the termination) to the Shareholders in the proportions stated above.

If the Fund is to be terminated in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to terminate the Fund in accordance with the resolution of holders approving such a scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Fund shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears appropriate to the ACD for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

Where any sum of money (including unclaimed distributions) still stands to the account of the property of the Fund, the ACD shall instruct the Depositary to retain such sum in an account separate from any other part of the property of the Company in accordance with the FSA Rules. On a winding-up of the Company, the Depositary shall cease to hold those amounts as part of that account and they shall be paid by the Depositary into court in accordance with the ICVC Regulations.

## 26.2 **Winding-up of the Company**

The Company is to be wound-up:

- 26.2.1 if an extraordinary resolution of holders is passed to wind-up the Company; or
- 26.2.2 on the date of effect stated in any agreement by the FSA to a request by the ACD for the revocation of the authorisation order in respect of the Company, albeit that such agreement is subject to there being no

material change in any relevant factor prior to the date of the revocation.

The Company may only be wound-up under the FSA Rules if the Company is solvent and there is no vacancy in the position of the ACD. If the Company is insolvent, or there is such a vacancy, the Company may only be wound-up under Part V of the Insolvency Act 1986 as an unregistered company.

On a winding-up (other than in accordance with an approved scheme of amalgamation or reconstruction) the ACD is required, as soon as practicable after the time the Company falls to be wound-up, to realise the property of the Company and pay the liabilities of the Company out of the proceeds. Liabilities of the Company attributable to a particular Fund shall be met first out of the property attributable or allocated to such a Fund.

If the liabilities to be met out of a particular Fund are greater than the proceeds of the realisation of the property attributable or allocated to that Fund, the deficit shall be met out of the property attributable or allocated to those Funds in respect of which the proceeds of realisation exceed liabilities and divided between those Funds in a manner that is fair to the Shareholders in such Funds.

After making adequate provision for the expenses of the winding-up and the discharge of the liabilities of the Company remaining to be discharged, the ACD may arrange for the Depositary to make one or more interim distributions, and then a final distribution of the proceeds of the realisation of the property attributable or allocated to each Fund to the holders in each Fund, proportionately to the right to participate in the scheme property attached to their respective Shares.

If the Company is to be wound-up in accordance with an approved scheme of amalgamation or reconstruction, the ACD is required to wind-up the Company in accordance with a resolution of holders approving such scheme.

Where the Company and one or more Shareholders (other than the ACD) agree, the requirement to realise the property of the Company shall not apply to that part of the property which is proportionate to the right of that or those Shareholders, and the ACD may distribute that part in the form of property, after making such adjustments or retaining such provision as appears to the ACD appropriate for ensuring that that or those Shareholders bear a proportionate share of the liabilities and expenses.

If any sum of money is unclaimed or stands to the account of the Company at the date of its dissolution, the ACD shall arrange for the Depositary to pay such sum into court within one month after that date in accordance with the ICVC Regulations.

## 27. **ADDITIONAL INFORMATION**

### 27.1 **UCITS Details**

The ACD holds a certificate for the Company as a record of its compliance with the European Union Directive on Undertakings for Collective Investment in Transferable Securities (UCITS), which has been incorporated in the laws regulating collective investment schemes in relevant EEA States.

At present, none of the Funds are marketed in other EEA States.

### 27.2 **Risks**

#### 27.2.1 **General Risks**

Investors should be aware that there are risks inherent in the holding of securities:

- 27.2.1.1 The past performance of any Fund is not a guide to the future performance. The value of Shares, and any income from them, can go down as well as up, particularly in the short term, meaning that an investment may not be returned in full.
- 27.2.1.2 Transfers or switches into a Fund will be held as cash for part of the transfer period. This means that until the cash is reinvested into the selected fund(s) there is no exposure to any gains or falls in stock markets.
- 27.2.1.3 Funds with similar objectives may experience differences in performance due to the selection of different assets within each fund. Funds may also diverge from their benchmark for the same reason.
- 27.2.1.4 Funds aiming for relatively high performance can incur greater risk than those adopting a more standard investment approach. There is no guarantee for the performance of your investment.
- 27.2.1.5 The tax treatment of the Funds may change and such changes cannot be foreseen.
- 27.2.1.6 Where regular investments are made with the intention of achieving a specific capital sum in the future, this will

normally be subject to maintaining a specified level of investment.

#### 27.2.1.7 **Liabilities of the Company**

Although each Fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, in the unlikely event that its assets are not sufficient to meet these the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Funds of the Company (but not of any other Insight Investment OEIC) in a manner which it believes is fair to the Shareholders generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders of it in the next succeeding annual or half-yearly report to Shareholders.

27.2.1.8 Notwithstanding the above, however, Shareholders are not liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the price on purchase of the Shares.

#### 27.2.1.9 **Effect of Initial Charge**

Where an initial charge is imposed, a Shareholder who realises his Shares after a short period may not (even in the absence of a fall in the value of the relevant investments) realise the amount originally invested.

The Shares therefore should be viewed as medium to long term investments.

#### 27.2.1.10 **Dilution Adjustment**

Investors should note that in certain circumstances a dilution adjustment may be applied on their purchase or redemption of Shares (see "Charges" in section 19).

#### 27.2.1.11 **Suspension of Dealings in Shares**

Shareholders are reminded that in certain circumstances their right to redeem Shares (including a redemption by way of switching) may be suspended (see "Suspension of Dealings" in section 22.6).

#### 27.2.1.12 **Derivative Transactions**

**In the case of Insight Investment Monthly Income Bond Fund and Insight Investment UK Equity Income Booster Fund derivatives transactions are used solely for the purposes of EPM and are not intended to increase the risk profile of those Funds.**

**In the case of Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund derivatives may be used for investment purposes as well as for the purposes of EPM. It is not intended that the use of derivatives will cause the net asset value of the Fund to have a high volatility or otherwise cause its existing risk profile to change materially. However, where derivatives are used for investment purposes there remains a possibility that the unit price of the Fund may be more volatile than would otherwise have been the case. The effect of the derivative strategies employed could be to amplify or dampen market movements, or to cause the net asset value of the Fund to move in an opposite direction to that of the market. In such cases, its behaviour could be counter-intuitive to that expected by investors who are accustomed to investment in traditional long only funds.**

#### 27.2.1.13 **Re-investment of Collateral from Stocklending or OTC Derivatives Transactions**

Cash received as collateral from either stocklending or OTC derivatives transactions may be re-invested in shares or units issued by qualifying money market funds, including entities managed or operated by (or, for an ICVC, whose authorised corporate director is) the ACD or an associate of the ACD (see "Treatment of Collateral" in section 10.43).

To the extent that re-investment of collateral takes place in an associated qualifying money market fund of the ACD, all transactions will be at arm's length and will be executed as if effected in normal commercial terms. In particular, cash collateral re-invested in associated qualifying money market funds may be subject to a pro rata portion of that funds' management fees which would be in addition to the annual management fees charged by the sub-fund. However, no additional preliminary charge will be levied by the associated qualifying money market fund in this situation.

## 27.2.2 **Specific Risks**

### 27.2.2.1 **Emerging Markets (Insight Investment Monthly Income Bond Fund)**

Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited number of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.

The risks of expropriation, nationalisation and social, political and economic instability are greater in emerging markets than in more developed markets.

The following is a brief summary of some of the more common risks associated with emerging markets investment:

**Fraudulent Securities** – Given the lack of a regulatory structure it is possible that securities in which investments are made may be found to be fraudulent. As a result, it is possible that loss may be suffered.

**Lack of Liquidity** – The accumulation and disposal of holdings may be more expensive, time consuming and generally more difficult than in more developed markets. Also, due to the lack of liquidity, volatility may be higher. Many emerging markets are small, have low trading volumes, low liquidity and significant price volatility.

Currency Fluctuations – Significant changes in the currencies of the countries in which investments are made in respect of the currency of denomination of the relevant Fund may occur following the investment of the Company in these currencies. These changes may impact the total return of the Fund to a significant degree. In respect of currencies of certain emerging countries, it is not possible to undertake currency hedging techniques.

Settlement and Custody Risks - Settlement and custody systems in emerging markets are not as well developed as those in developed markets. Standards may not be as high and supervisory and regulatory authorities not as sophisticated. As a result there may be risks that settlement may be delayed and that cash or securities could be disadvantaged.

Investment and Remittance Restrictions - In some cases, emerging markets may restrict the access of foreign investors to securities. As a result, certain equity securities may not always be available to a Fund because the maximum permitted number of or investment by foreign shareholders has been reached. In addition, the outward remittance by foreign investors of their share of net profits, capital and dividends may be restricted or require governmental approval. The Company will only invest in markets in which it believes these restrictions to be acceptable. However, there can be no guarantee that additional restrictions will not be imposed.

Accounting – Accounting, auditing and financial reporting standards, practices and disclosure requirements applicable to companies in emerging markets differ from those applicable in more developed markets in respect of the nature, quality and timeliness of the information disclosed to investors and, accordingly, investment possibilities may be difficult to properly assess.

27.2.2.2 **Fixed Interest Securities (Insight Investment Monthly Income Bond Fund, Insight Investment UK Broad Market Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund, Insight Investment UK Government All Maturities Bond Fund, Insight Investment UK**

### **Government Long Maturities Bond Fund and Insight Investment UK Index-Linked Bond Fund)**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates increase, capital values may fall and vice versa. Inflation will erode the real value of capital. In addition, Companies may not be able to honour repayment on bonds they issue.

Unlike the income from a single fixed interest security, the level of income of a Fund is not fixed and may go up and down.

The value of a fixed interest security will fall in the event of the default or reduced credit rating of the issuer. Generally, the higher the rate of interest, the higher the perceived credit risk of the issuer.

### 27.2.2.3 **Currencies (Insight Investment Monthly Income Bond Fund and Insight Investment UK Equity Income Booster Fund)**

Currency fluctuations may adversely affect the value of a Fund's investments and the income thereon and, depending on a Shareholder's currency of reference, currency fluctuations may adversely affect the value of his investment in Shares.

### 27.2.2.4 **Deduction of Annual Periodic Charge from Capital (Insight Investment Monthly Income Bond Fund)**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged against capital instead of against income. This treatment of the ACD's fee will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth.

### 27.2.2.5 **Deduction of Annual Periodic Charge and other charges and expenses from Capital (Insight Investment UK Equity Income Booster Fund)**

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee, may be charged against capital instead of against income. This treatment will increase the amount of income (which may be taxable) available for distribution to Shareholders in the Fund concerned but may constrain capital growth.

**27.2.2.6 "sub-investment grade" corporate bonds (Insight Investment Monthly Income Bond Fund, Insight Investment UK Corporate All Maturities Bond Fund and Insight Investment UK Corporate Long Maturities Bond Fund)**

The portfolio of the Insight Investment Monthly Income Bond Fund will include "sub-investment grade" corporate bonds which may carry a greater risk of default. The value of Shareholders' investments may fall in the event of a default, or a perceived increased risk of an issuer.

**27.2.2.7 Derivatives for the generation of additional income (Insight Investment UK Equity income Booster Fund)**

The Insight Investment UK Equity Income Booster Fund uses a derivatives strategy to generate additional income as part of its investment strategy. This may restrict potential gains in a rising market.

**27.2.2.8 Liquidity (Insight Investment UK Corporate All Maturities Bond Fund, Insight Investment UK Corporate Long Maturities Bond Fund)**

If a security cannot be liquidated in a timely manner then it may be harder to attain a reasonable price for it.

## **27.3 Risk Management**

The ACD will provide, upon the request of a Shareholder further information relating to:

- 27.3.1 the quantitative limits applying in the risk management of any Fund;
- 27.3.2 the methods used in relation to 27.3.1; and
- 27.3.3 any recent development of the risk and yields of the main categories of investment.

#### 27.4 **Complaints**

Any complaint regarding the operation or marketing of a Fund should be addressed to the Customer Service Manager of Insight Investment Funds Management Limited, PO Box 23630, Edinburgh, EH7 5GR.

A Shareholder also has the right to complain directly to the Financial Ombudsman Service at South Quay Plaza II, 183 Marsh Wall, London, E14 9SR.

#### 27.5 **Investors Compensation Scheme**

Rights to compensation for Shareholders in the Company are those outlined in the Financial Services Compensation Scheme.

#### 27.6 **Conflicts of Interest**

27.6.1 The ACD, the Investment Adviser and other companies within the BNY Mellon Corporation may, from time to time, act as investment managers or advisers to other funds or sub-funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Company or a particular Fund. Each of the ACD and the Investment Adviser will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Advisory Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients, when undertaking any investment business where potential conflicts of interest may arise.

The Depositary may, from time to time, act as the depositary of other OEICs and as trustee or custodian of other collective investment schemes.

27.6.2 The FSA Rules contain provisions on conflict of interest governing any transaction concerning the Company which is carried out by or with any "affected person", which means the Company, an associate of the Company, the ACD, an associate of the ACD, the Depositary, an associate of the Depositary, any investment adviser and any associate of any investment adviser.

These provisions, among other things, enable an affected person (a) to sell or deal in the sale of property to the Company or the Depositary for the account of the Company; (b) vest property in the Company or the Depositary against the issue of Shares in the Company; (c) purchase property from the Company (or the Depositary) acting for the account of the Company; (d) enter into a stocklending transaction in relation to the Company; or (e) provide services for the Company. Any such transactions with or for the Company are subject to best execution on exchange, or independent valuation or arm's length requirements as set out in the FSA Rules. An affected person carrying out such transaction is not liable to account to the Depositary, the ACD, any other affected person, or to the holders of Shares or any of them for any benefits or profits thereby made or derived.

Investment of the property of the Company may be made on arm's length terms through a member of an investment exchange (acting as principal) who is an affected person in relation to the ACD. Neither the ACD nor any such affected person will be liable to account to the Company or to the holders of Shares for any profit made or derived out of such dealings.

## **APPENDIX I**

### **FUNDS OF INSIGHT INVESTMENT OEICS**

#### **Funds of Insight Investment Multi-Manager Funds ICVC**

Insight Investment Diversified High Income Fund  
Insight Investment Wealth Builder Balanced Fund  
Insight Investment Diversified Dynamic Return Fund  
Insight Investment UK Dynamic Managed Fund  
Insight Investment European Dynamic Managed Fund – not yet available  
Insight Investment Wealth Builder Global Growth Fund – not yet available

#### **Funds of Insight Investment Professional Funds ICVC**

Insight Investment Equity High Income Fund  
Insight Investment Monthly Income Fund  
Insight Investment Sterling Corporate Bond Fund

#### **Insight Investment Diversified Target Return Fund ICVC**

#### **Insight Investment Funds-of-Funds II ICVC**

Absolute Insight

## APPENDIX II

### HISTORICAL PERFORMANCE

Standardised rolling 12 month performance (% growth). Figures as at 30 December 2011

Sub-fund Name	Period				
	30.12.06 - 29.12.07	29.12.07 - 31.12.08	31.12.08 - 31.12.09	31.12.09 - 31.12.10	31.12.10 - 30.12.11
Insight Investment Monthly Income Bond Fund	-0.4%	-19.6%	22.3%	8.6%	0.9%
Insight Investment UK Equity Income Booster Fund	-	-	-	14.8%	-4.2%
Insight Investment UK Broad Market Bond Fund P Acc Gross	2.2%	1.7%	6.2%	7.9%	12.4%
Insight Investment UK Corporate All Maturities Bond Fund P Acc Gross	0.3%	-9.0%	17.9%	8.9%	9.1%
Insight Investment UK Corporate Long Maturities Fund P Acc Gross	-1.6%	-8.5%	20.6%	9.1%	12.0%
Insight Investment UK Government All Maturities Bond Fund P Acc Gross	4.4%	13.3%	0.3%	7.4%	16.3%
Insight Investment UK Government Long Maturities Bond Fund P Acc Gross	1.3%	15.3%	-3.9%	8.3%	26.6%
Insight Investment UK Index-Linked Bond Fund P Acc Gross	5.4%	8.8%	7.6%	10.0%	22.7%

Source: Lipper, a REUTERS company. NAV to NAV, net income reinvested, unless otherwise stated.

Unless otherwise stated all performance shown is for A Accumulation shares.

Past performance should not be seen as an indication of future performance. The value of investments can fall as well as rise, and you may not get back the amount you originally invested.