

SOLUS MULTIMANAGER INVESTMENT COMPANY

PROSPECTUS

2 May 2007

**PROSPECTUS
OF
SOLUS MULTIMANAGER INVESTMENT COMPANY**

This document constitutes the Prospectus for Solus MultiManager Investment Company (the “Company”) which has been prepared in accordance with the terms of the rules contained in the New Collective Investment Schemes Sourcebook (the “FSA Rules”) published by the FSA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the “Act”) and complies with the requirements of Chapter 4 of the FSA Rules.

The Prospectus is dated and is valid as at 2 May 2007.

Copies of this Prospectus have been sent to the FSA and the Depositary.

If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.

The Prospectus is based on information, law and practice at the date hereof. The Company is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.

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DEFINITIONS

ACD	KBL Investment Funds Limited, the Authorised Corporate Director of the Company;
ACD Agreement	an agreement dated 6 January 2003 between the Company and the ACD;
Administrator	Northern Trust International Funds Administration Services (UK) Ltd;
Administration Services Agreement	an administration agreement dated 31 March 2005 between the ACD and the Administrator;
Auditor	Ernst & Young, the auditor of the Company;
Company	Solus MultiManager Investment Company;
Dealing Day	Monday to Friday except for bank holidays in England and Wales and other days at the ACD's discretion;
Depository	The Royal Bank of Scotland plc, the depository of the Company;
Depository Agreement	a depository agreement dated 24 November 2004 between the Company, the ACD and the Depository;
Fraction	a smaller denomination share (on the basis that one thousand smaller denomination shares make one larger denomination share);
FSA	the Financial Services Authority;
FSA Rules	the rules contained in the New Collective Investment Schemes Sourcebook published by the Financial Services Authority ("FSA") as part of their Handbook for rules made under the Act which shall, for the avoidance of doubt, not include guidance or evidential requirements contained in the said sourcebook;
HMRC	HM Revenue & Customs;
Investment Manager	Brown Shipley & Co. Limited is the Investment Manager for the ACD in respect of all the Subfunds;
Investment Management Agreement	an investment management agreement dated 5 May 2005 between the Company, the ACD and the Investment Manager;
Net Asset Value or NAV	the value of the scheme property of the Company (or of any Subfund as the context requires) less the liabilities of the Company (or of the Subfund concerned) as calculated in accordance with the Company's Instrument of Incorporation;

OEIC Regulations	the Open-Ended Investment Companies Regulations 2001;
Scheme property	the property of the Company to be given to the Depositary for safe-keeping, as required by the FSA Rules; and
Subfund or Subfunds	a subfund of the Company (bearing part of the scheme property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to that Subfund.

1 **The Company**

1.1 Solus MultiManager Investment Company is an open-ended investment company with variable capital, incorporated in England and Wales under registered number IC202 and authorised by the Financial Services Authority with effect from 15 November 2002.

1.2 The Head Office of the Company is at Founders Court, Lothbury, London EC2R 7HE and this is also the address of the place in the United Kingdom for service on the Company of notices or other documents required or authorised to be served on it. The Company does not have any interest in immovable property or tangible movable property.

1.3 The base currency of the Company is pounds sterling.

1.4 The maximum share capital of the Company is currently £100,000,000,000 and the minimum is £100. Shares in the Company have no par value and therefore the share capital of the Company at all times equals the Company's current net asset value.

1.5 Shareholders in the Company are not liable for the debts of the Company.

1.6 The Company has been established as a "non-UCITS retail scheme" and also an umbrella company (as defined in the Regulations) and therefore different Subfunds may be formed by the ACD, subject to approval from the Depositary and the Financial Services Authority. On the establishment of a new Subfund or share class an updated prospectus will be prepared setting out the relevant information concerning the new Subfund.

2 **Company Structure**

2.1 As explained above the Company is a "non-UCITS retail scheme" and also an umbrella company. The assets of each Subfund are treated as separate from those of every other Subfund and will be invested in accordance with that Subfund's own investment objective and policy.

2.2 At present, the Subfunds available for investment are:

Solus MultiManager Growth Fund
Solus MultiManager Balanced Fund
Solus MultiManager International Fund

- 2.3 Details of the Subfunds, including their investment objectives and policies are set out in Appendix 1. Each Subfund would be a non-UCITS retail scheme if it were itself an investment company with variable capital in respect of which an authorisation order made by the Financial Services Authority was in force.
- 2.4 Each Subfund has a specific portfolio of assets and investments to which the Subfunds assets and liabilities are attributable and investors should view each Subfund as a separate investment entity.
- 2.5 Investors should be aware that the Company's creditors may however look to all the Company's assets for payment regardless of the Subfund in respect of which the debt has arisen. Assets may be re-allocated to and from other Subfunds if it is necessary to do so to satisfy any creditor proceeding against the Company. In the event that any assets are so re-allocated, the ACD will advise shareholders in the next report to shareholders.
- 2.6 Each Subfund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Subfund and within the Subfunds charges will be allocated between share classes in accordance with the terms of issue of those share classes.
- 2.7 Any assets, liabilities, expenses, costs or charges not attributable to a particular Subfund may be allocated by the ACD in a manner which is fair to shareholders as a whole but they will normally be allocated to all Subfunds pro rata to the value of the net assets of the relevant funds.

3 **Shares**

3.1 **Classes of share within the Subfunds**

- 3.1.1 Several share classes may be issued in respect of each Subfund. The current Subfunds have the following share classes namely:
- *A Income Shares*: income shares which are net paying shares and are denominated in base currency
 - *A Accumulation Shares*: accumulation shares which are net paying shares and are denominated in base currency
- 3.1.2 In addition, each Subfund may make available such further classes of share as the ACD may decide.
- 3.1.3 Holders of income shares are entitled to be paid the income attributed to such shares on the relevant interim and annual allocation dates.
- 3.1.4 Holders of accumulation shares are not entitled to be paid the income attributable to such shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Subfund on the relevant interim and /or annual accounting dates. The price of an accumulation share increases to reflect this.
- 3.1.5 Where a Subfund has different classes of share available, each class may attract different charges and expenses and so monies may be deducted from classes in

unequal proportions. For this reason, the proportionate interests of the classes within a Subfund will vary from time to time.

- 3.1.6 When different classes of share and/or different Subfunds are available, shareholders will be entitled (subject to certain restrictions) to switch all or part of their shares in a class of a Subfund for shares in another class within the same Subfund or for shares of the same or another class within a different Subfund. Details of this switching facility and the restrictions are set out in paragraph 13 below.

4 **Management and Administration**

4.1 **Authorised Corporate Director**

- 4.1.1 The Authorised Corporate Director of the Company is KBL Investment Funds Limited which is a private company limited by shares incorporated in England and Wales under the Companies Act 1985 (Company number 1575644) and was incorporated on 21 July 1981. The ultimate holding company of the ACD is Brown Shipley & Co. Limited, which is incorporated in England and Wales. The ACD acts as the authorised corporate director of the Solus Investment Company Limited.

- 4.1.2 Registered Office and Head Office:

Founders Court
Lothbury
London
EC2R 7HE

Share Capital:	Authorised	£1,050,000
	Issued	£1,050,000
	Paid up	£1,050,000

- 4.1.3 The ACD is responsible for managing and administering the Company's affairs in compliance with the FSA Rules. There are no other directors of the Company.

4.2 **Terms of Appointment**

- 4.2.1 The ACD Agreement dated 6 January 2003 provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon six months' written notice by either the ACD or the Company, although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Depositary or the Company to the ACD. Termination cannot take effect until the FSA has approved the appointment of another director in place of the retiring ACD. Copies of the ACD Agreement will be provided to Shareholders on request.

- 4.2.2 The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the agreement. To the extent allowed by the FSA Rules the ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.

4.2.3 The ACD is under no obligation to account to the Depositary or the shareholders for any profit it makes on the issue or re-issue of shares or cancellation of shares which it has redeemed. The fees to which the ACD is entitled are set out in paragraphs 26 and 27 below.

5 **The Depositary**

The Royal Bank of Scotland plc, Trustee & Depositary Services is the depositary of the Company. The Depositary is a public limited company incorporated in Scotland, whose ultimate holding company is The Royal Bank of Scotland Group plc, incorporated in Scotland (Registered Number 90312). Subject to the FSA Rules and the OEIC Regulations, the Depositary is responsible for the safekeeping of the property of the Company entrusted to it and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the FSA Rules relating to the pricing of, and dealing in, shares of the Company and the income of the Company. The appointment of the Depositary has been made under an agreement dated 24 November 2004 between the Company, the ACD and the Depositary (the “Depositary Agreement”).

5.1 **Registered Office**

36 St Andrew Square Edinburgh EH2 2YE

5.2 **Head Office**

PO Box 1000, Gogarburn, Edinburgh EH12 1HQ

5.3 **Principal Business Activity**

The principal business of The Royal Bank of Scotland plc is banking.

5.4 **Terms of Appointment**

5.4.1 Subject to the FSA Rules, the Depositary has full power under the Depositary Agreement to delegate (and authorise its delegate to sub-delegate) all or any part of its duties as depositary.

5.4.2 The Depositary Agreement may be terminated on 6 months’ written notice by the Depositary, the Company or the ACD provided that the Depositary may not retire voluntarily except upon the appointment of a new depositary.

5.4.3 To the extent allowed by the FSA Rules the Depositary Agreement contains indemnities by the Company in favour of the Depositary against (except in respect of its failure to exercise due care and diligence or where recovery is made by the Depositary from another person) any liability incurred by the Depositary as a consequence of its safe keeping of any of the Scheme Property and (to the extent permitted by the OEIC Regulations and the FSA Rules) exempts it from liability for special, indirect or consequential loss or damage.

The fees to which the Depositary is entitled are set out in Sections 26 and 29.

6 **The Investment Manager**

The ACD has appointed Brown Shipley & Co. Limited to provide investment management and advisory services to the ACD in respect of all the Subfunds.

6.1 **Terms of Appointment:**

6.1.1 The Investment Manager was appointed by an agreement dated 5 May 2005 between the Company, the ACD and the Investment Manager, under which it provides discretionary management services to the Company.

6.1.2 Brown Shipley & Co. Limited is a member of the same group of companies as the ACD. Its registered office is at Founders Court, Lothbury, London EC2R 7HE. The principal activity of the Investment Manager is as a private bank providing investment management, pension and advisory services.

7 **Administrator**

The ACD has appointed Northern Trust International Funds Administration Services (UK) Ltd to provide administration services to the ACD.

7.1 **Terms of Appointment:**

7.1.1 The Administrator was appointed by a formal agreement dated 30 November 2004 between the ACD and the Administrator.

7.1.2 The Administration Services Agreement may be terminated on six months' written notice by the Administrator or the ACD.

7.1.3 Its registered office is at 50 Bank Street, Canary Wharf, London, E14 5NT. The principal activity of the Administrator is the provision of administration services.

7.2 The Administrator is regulated by the FSA.

8 **The Auditor**

The Auditors of the Company are Ernst & Young, whose address is 1 More London Place, London, SE1 2AF.

9 **Register of Shareholders**

The Register of shareholders is maintained by International Financial Data Services and may be inspected at St Nicholas Lane, Basildon, Essex, SS15 5FS during normal business hours by any shareholder or any shareholder's duly authorised agent.

10 **Buying, Selling and Switching Shares**

The dealing office of the ACD is open from 9.00 am until 5.00 pm on each Dealing Day to receive requests for the issue, redemption and switching of shares.

- 11 **Buying Shares**
- 11.1 **Procedure**
- 11.1.1 Shares can be bought either by sending a completed application form to the ACD or by telephoning the ACD on 0870 043 4830. Application forms may be obtained from the ACD.
- 11.1.2 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.
- 11.1.3 Any subscription monies remaining after a whole number of shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued in such circumstances. A smaller denomination share is equivalent to one thousandth of a larger denomination share.
- 11.2 **Documentation**
- 11.2.1 A contract note giving details of the shares purchased and the price used will be issued by the end of the business day following the later of receipt of the application to purchase shares or the valuation point by reference to which the purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.
- 11.2.2 Settlement is due on receipt by the purchaser of the contract note.
- 11.2.3 Share certificates will not be issued in respect of shares. Ownership of shares will be evidenced by an entry on the Company's register of shareholders. Statements in respect of periodic distributions on shares will show the number of shares held by the recipient. Individual statements of a shareholder's (or, when shares are jointly held, the first named holder's) shares will also be issued at any time on request by the registered holder. The Company is not obliged to register a share in the names of more than four joint holders.
- 11.2.4 The Company has power to issue bearer shares, but there are no present plans to do so.
- 11.3 **Minimum subscriptions and holdings**
- 11.3.1 The minimum initial and subsequent subscription for shares in each Subfund is set out in Appendix 1 together with the details of the minimum holding in each Subfund. The ACD may at its discretion accept subscriptions lower than the minimum amount.
- 11.3.2 If a holding is below the minimum holding the ACD has a discretion to require redemption of the entire holding.
- 11.4 It is not the ACD's policy to maintain a box for the sale of shares in the Subfunds.

12 **Selling Shares**

12.1 **Procedure**

12.1.1 Every shareholder has the right to require that the Company redeem his shares on any Dealing Day unless the value of shares which a shareholder wishes to redeem will mean that the shareholder will hold shares with a value less than the required minimum holding for the Subfund concerned, in which case the shareholder may be required to redeem his entire holding.

12.1.2 Requests to redeem shares may be made to the ACD by telephone on 0870 043 4830 or in writing to the ACD.

12.1.3 In the event that a shareholder requests the redemption or cancellation of shares representing over 5% of the property of a Subfund, the ACD may upon giving written notice to the shareholder arrange that, in place of payment of the NAV price of the shares in cash, the Company can effect an in specie cancellation, by cancelling the shares and transferring relevant scheme property (or the net proceeds of the sale of the relevant scheme property) to the shareholder in accordance with the FSA Rules.

The ACD may at its discretion arrange for the Company to issue shares in exchange for assets other than money, provided such assets conform with the investment objective of the relevant Subfund and the Depositary is satisfied that the acquisition is not likely to prejudice existing shareholders.

12.2 **Documents**

12.2.1 A contract note giving details of the number and price of shares sold will be sent to the selling shareholder (the first named, in the case of joint shareholders) together (if sufficient written instructions have not already been given) with a form of renunciation for completion and execution by the shareholder (and, in the case of a joint holding, by all the joint holders) not later than the end of the business day following the later of the request to redeem shares or the valuation point by reference to which the redemption price is determined. Cheques in satisfaction of the redemption monies will be issued within four business days of the later of:

12.2.2 receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant shareholders and completed as to the appropriate number of shares, together with any other appropriate evidence of title; and

12.2.3 the valuation point following receipt by the ACD of the request to redeem.

12.3 **Minimum redemption**

Part of a shareholder's holding may be sold but the ACD reserves the right to refuse a redemption request if the value of the shares of any Subfund to be redeemed is less than the figures stated in Appendix 1 in respect of each Subfund.

12.4 **Direct Issue or Cancellation of units by an ICVC through the ACD**

Not applicable. Shares are issued or cancelled by the ACD making a record of the issue or cancellation and of the number of shares of each class concerned.

13 **Switching**

13.1 If applicable, a holder of shares in a fund may at any time switch all or some of his shares of one class or Subfund (“Old shares”) for shares of another class or Subfund (“New shares”). The number of New shares issued will be determined by reference to the respective prices of New shares and Old shares at the valuation point applicable at the time the Old shares are repurchased and the New shares are issued.

13.2 Switching may be effected either by telephone on 0870 043 4830 or in writing to the ACD and the shareholder may be required to complete a switching form (which, in the case of joint shareholders must be signed by all the joint holders). Switching forms may be obtained from the ACD.

13.3 The ACD may at its discretion charge a fee on the switching of shares between funds. These fees are set out on page 18. Where applicable, there is no fee on a switch between classes of the same Subfund.

13.4 If the switch would result in the shareholder holding a number of Old shares or New shares of a value which is less than the minimum holding in the Subfund concerned, the ACD may, if it thinks fit, convert the whole of the applicant’s holding of Old shares to New shares or refuse to effect any switch of the Old shares. No switch will be made during any period when the right of shareholders to require the redemption of their shares is suspended. The general provision on procedures relating to redemption will apply equally to a switch. Switching instructions must be received by the ACD before the valuation point on a Dealing Day in the Subfund or Subfunds concerned to be dealt with at the prices at those valuation points on that Dealing Day, or at such other date as may be approved by the ACD. Switching requests received after a valuation point will be held over until the next day which is a Dealing Day in the relevant Subfund or Subfunds.

13.5 The ACD may adjust the number of New shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New shares or repurchase or cancellation of the Old shares as may be permitted pursuant to the FSA Rules.

13.6 Please note that under current tax law, a switch of shares in one Subfund for shares in any other Subfund is treated as a redemption and sale and will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation although a switch of shares between different share classes in the same Subfund will not be deemed to be a realisation for the purposes of capital gains taxation.

13.7 A shareholder who switches shares in one Subfund for shares in any other Subfund has no right by law to withdraw from or cancel the transaction.

14 **Dealing Charges**

14.1 **Initial Charge**

The ACD may impose a charge on the sale of shares. The initial charge in respect of each Subfund is as detailed in Appendix 1. The initial charge is payable to the ACD.

14.2 **Redemption Charge**

14.2.1 The ACD may make a charge on the redemption of shares. At present no redemption charge is levied. Shares issued while this Prospectus is in force will not be subject to any redemption charge in the future.

14.2.2 The ACD may not introduce a redemption charge on shares unless, not less than 60 days before the introduction, it has given notice in writing to the then current Shareholders of that introduction and has revised and made available the Prospectus to reflect the introduction and the date of its commencement. If charged, the redemption will be deducted from the price of the shares being redeemed and will be paid by the Company to the ACD.

14.2.3 In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

14.3 **Switching Fee**

On the switching of shares of a Subfund for shares of another fund the Instrument of Incorporation authorises the Company to impose a switching fee. The fee will not exceed an amount equal to the then prevailing initial charge for the class into which shares are being switched. The switching fee is payable to the ACD.

15 **Other Dealing Information**

15.1 **Dilution Levy and Large Deals**

15.1.1 The basis on which the Company's investments are valued for the purpose of calculating the issue and redemption price of shares as stipulated in the FSA Rules and the Instrument of Incorporation is summarised in paragraph 21 below. The actual cost of purchasing or selling a fund's investments may be higher or lower than the mid market value used in calculating the share price - for example, due to dealing charges, or through dealing at prices other than the mid-market price. Under certain circumstances (for example, large volumes of deals) this may have an adverse effect on the shareholders' interest in a Subfund. This effect is called "dilution" and it is not possible to predict accurately whether dilution will occur at any point in time however, to prevent this effect, the ACD has the power to charge a "dilution levy" on the sale and/or redemption of shares. As a dilution levy is not currently charged (except in the circumstances described in clause 15.1.7), the cost of purchasing or selling investments for the Subfunds subsequent to shareholder dealing will be borne by the relevant Subfund with a consequent effect on future growth. If the ACD decides in the future to charge a dilution levy on all deals (and not just on those deals referred to below), it will be calculated by reference to the costs of dealing in the underlying investments of the Subfund, including any dealing spreads, commission and transfer taxes. If charged, the

dilution levy will be paid into the relevant Subfund and will become part of the relevant Subfund.

15.1.2 The need to charge a dilution levy will depend on the volume of sales or redemptions. The ACD may charge a discretionary dilution levy on the sale and redemption of shares if, in its opinion, the existing shareholders (for sales) or remaining shareholders (for redemptions) might otherwise be adversely affected. In particular, the dilution levy may be charged in the following circumstances:

15.1.2.1 where a Subfund is in continual decline;

15.1.2.2 on a Subfund experiencing large levels of net sales relative to its size;

15.1.2.3 on “large deals”. For these purposes, a large deal is defined as 1% of the size of the Subfund;

15.1.2.4 in any other case where the ACD is of the opinion that the interests of remaining shareholders require the imposition of a dilution levy;

15.1.2.5 in the event that a shareholder requests the redemption or cancellation of shares representing over 5% of the property of a Subfund then, the Company can effect an in specie cancellation, in accordance with clause 12.1.3, by cancelling the shares and transferring relevant scheme property to the shareholder in accordance with the FSA Rules. Should the shareholder not wish to receive scheme property upon the redemption of shares then the ACD may charge a discretionary dilution levy in accordance with clause 15.1.2.

15.1.3 Except as referred to above, the ACD has no plans at present to introduce a dilution levy on the purchase or sale of shares. Should a dilution levy be required then, based upon the average rate levied over the previous twelve months the estimated future rate will be 0.160% (with a maximum rate of 1%). The ACD may alter its dilution policy either by shareholder consent pursuant to the passing of a resolution to that effect at a properly convened meeting of shareholders and by amending this Prospectus or by giving shareholders notice and amending the Prospectus 60 days before the change to the dilution policy is to take effect.

16 **Money Laundering**

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying shares. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to sell shares.

17 **Restrictions and Compulsory Transfer and Redemption**

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a

law or regulation by a competent authority) of any country or territory. In this connection the ACD may, inter alia, reject in its discretion any application for the purchase, sale or switching of shares.

18 **Suspension of Dealings in the Company**

18.1 The ACD may, with the agreement of the Depositary, or must if the Depositary so requires, for a period of up to 28 days suspend the issue, cancellation, sale and redemption of shares in any or all of the Subfunds, 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 shareholders or potential shareholders.

18.2 Re-calculation of the share price for the purpose of sales and purchases will commence on the next relevant valuation point following the ending of the suspension.

19 **Governing Law**

All deals in shares are governed by English law.

20 **Valuation of the Company**

20.1 The price of a share in the Company is calculated by reference to the Net Asset Value of the Subfund to which it relates. There is only a single price for any share as determined from time to time by reference to a particular valuation point. The Net Asset Value per share of a Subfund is currently calculated at 9.00 a.m. on each Dealing Day.

20.2 The ACD may at any time during a business day carry out an additional valuation if the ACD considers it desirable to do so.

21 **Calculation of the Net Asset Value**

21.1 The value of the scheme property of the Company or of a Subfund (as the case may be) shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.

21.2 All the scheme property (including receivables) of the Company (or the Subfund) is to be included, subject to the following provisions.

21.3 Property which is not a contingent liability transaction shall be valued as follows:

21.3.1 units or shares in a collective investment scheme:

21.3.1.1 if a single price for buying and selling units is quoted, at the most recent such price; or

21.3.1.2 if separate buying or selling 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 selling price has been increased by any exit or redemption charge attributable thereto;
or

- 21.3.1.3 if no price or no recent price exists, at a price which in the opinion of the ACD is fair and reasonable;
- 21.3.2 any other transferable security:
 - 21.3.2.1 if a single price for buying and selling the security is quoted, at that price; or
 - 21.3.2.2 if separate buying and selling prices are quoted, the average of those two prices; or
 - 21.3.2.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exists, at a value which in the opinion of the ACD reflects a fair and reasonable price for that investment;
- 21.3.3 property other than that described in 21.3.1 and 21.3.2 above:
 - 21.3.3.1 at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.
- 21.4 Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.
- 21.5 Property which is a contingent liability transaction shall be treated as follows:
 - 21.5.1 if it is a written option (and the premium for writing the option has become part of the scheme property), the amount of the net valuation of premium receivable shall be deducted. If the property is an off-exchange derivative the method of valuation shall be agreed between the ACD and the Depositary;
 - 21.5.2 if it is an off-exchange future, it will be included at the net value of closing out in accordance with a valuation method agreed between the ACD and the Depositary;
 - 21.5.3 if the property is an off-exchange derivative, it will be included at a valuation method agreed between the ACD and Depositary;
 - 21.5.4 if it is any other form of contingent liability transaction, it will be included at the net value of margin on closing out (whether as a positive or negative value).
- 21.6 In determining the value of the scheme property, all instructions given to issue or cancel shares shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.
- 21.7 Subject to paragraphs 21.8 and 21.9 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final net asset amount.
- 21.8 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 21.7.

- 21.9 All agreements are to be included under paragraph 21.7 which are, or ought reasonably to have been, known to the ACD valuing the property.
- 21.10 An estimated amount for anticipated tax liabilities at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax and value added tax will be deducted.
- 21.11 An estimated amount for any liabilities payable out of the scheme property and any tax thereon treating periodic items as accruing from day to day will be deducted.
- 21.12 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.
- 21.13 An estimated amount for accrued claims for repayments of tax of whatever nature to the Company which may be recoverable will be added.
- 21.14 Any other credits or amounts due to be paid into the scheme property will be added.
- 21.15 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

22 **Price per share in each Subfund and each Class**

The price per share at which shares are sold is the sum of the Net Asset Value of a share and any initial charge. The price per share at which shares are redeemed is the Net Asset Value per share less any applicable redemption charge. In addition, there may, for both purchases and sales, be a dilution levy, as described in paragraph 15 above.

23 **Pricing basis**

The Company deals on a forward pricing basis. A forward price is the price calculated at the next valuation point after the sale or redemption is agreed.

24 **Publication of Prices**

The most recent price of shares will appear daily in the Financial Times and The Times.

25 **Risk factors**

Potential investors should consider the following risk factors before investing in the Company.

25.1 **General**

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in the Company. Variations in the rates of exchange

may also cause the value of investments to fall or rise. There is no assurance that the investment objectives of any Subfund will actually be achieved.

25.2 **Effect of Initial Charge**

Where any initial charge is imposed, an investor 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. Therefore, the shares should be viewed as a long term investment.

25.3 **Suspension of Dealings in Shares**

Investors are reminded that in certain circumstances their right to redeem shares may be suspended (see “Suspension of dealings in the Company” at paragraph 18 above).

25.4 **Currency Exchange Rates**

Depending on an investor’s currency of reference, currency fluctuations may adversely affect the value of an investment.

25.5 **Emerging Markets**

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

25.5.2 Investment in emerging markets may involve a higher than average risk.

25.5.3 Each Investor should consider whether or not investment in such Subfunds is either suitable for or should constitute a substantial part of that investor’s portfolio.

25.5.4 Companies in emerging markets may not be subject:

25.5.4.1 to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies in major markets;

25.5.4.2 to the same level of government supervision and regulation of stock exchanges as countries with more advanced securities markets.

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

25.5.5.1 There may be restrictions on foreign investment in certain securities by certain Subfunds and, as a result, limited investment opportunities for the Subfunds. Substantial government involvement in, and influence on, the economy may affect the value of securities in certain emerging markets.

25.5.5.2 The reliability of trading and settlement systems in some emerging markets may not be equal to that available in more

developed markets, which may result in delays in realising investments.

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

25.6 **Liabilities of the Company**

- 25.6.1 The Subfunds are not ring fenced. Although each Subfund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Subfunds in a manner which is fair to the shareholders of the Company 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 Subfunds. 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.

- 25.6.2 Shareholders are not, however, 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 purchase price of the shares.

25.7 **Unregulated Collective Investment Schemes**

If it is consistent with their stated investment objectives and policies, Subfunds of the Company are able to invest, to a limited extent, in unregulated collective investment schemes. Unregulated schemes are not subject to the same controls and restrictions as regulated schemes. As such, a Subfund which invests in them may present a higher risk profile than one which does not

26 **Fees and Expenses**

26.1 **General**

- 26.1.1 Each Subfund formed will bear its own direct establishment costs.

- 26.1.2 The Company may also pay out of the property of the Company charges and expenses incurred by the Company, which will include the following expenses:

26.1.2.1 the fees and expenses payable to the ACD (which will include the fees and expenses payable to the Investment Manager and to the Administrator) and to the Depositary;

26.1.2.2 broker's commission, fiscal charges (including stamp duty and/or stamp duty reserve tax) and other disbursements which are necessarily incurred in effecting transactions for the Subfunds and are normally shown in contract notes, confirmation notes and difference accounts as appropriate;

- 26.1.2.3 fees and expenses in respect of establishing and maintaining the register of shareholders (at a cost of £14.56 per shareholder per annum, VAT exempt);
- 26.1.2.4 any costs incurred in or about the listing of shares in the Company on any Stock Exchange, and the creation , conversion and cancellation of shares;
- 26.1.2.5 any costs incurred by the Company in publishing the price of the shares in a national or other newspaper;
- 26.1.2.6 any costs incurred in producing and dispatching any payments made by the Company, or the yearly and half-yearly reports of the Company;
- 26.1.2.7 any fees, expenses or disbursements of any legal or other professional adviser of the Company;
- 26.1.2.8 any costs incurred in taking out and maintaining an insurance policy in relation to the Company;
- 26.1.2.9 any costs incurred in respect of meetings of shareholders convened for any purpose including those convened on a requisition by shareholders not including the ACD or an associate of the ACD;
- 26.1.2.10 liabilities on amalgamation or reconstruction including certain liabilities arising after transfer of property to the Subfunds in consideration for the issue of shares as more fully detailed in the FSA Rules;
- 26.1.2.11 interest on borrowings and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- 26.1.2.12 taxation and duties payable in respect of the property of the Subfunds or of the issue or redemption of shares;
- 26.1.2.13 the audit fees of the Auditors (including VAT) and any expenses of the Auditors;
- 26.1.2.14 the fees of the FSA under Schedule I Part III of the Financial Services and Markets Act 2000, together with any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which shares in the Company are or may be marketed;
- 26.1.2.15 the Depositary will also be reimbursed out of the property of the Company for expenses incurred in relation to the following activities and duties:
- Delivery of stock to the Depositary or custodian;
 - Custody of assets;
 - Collection of income and capital;
 - Submission of tax returns;

- Handling tax claims;
 - Preparation of the Depositary's annual report;
 - Arranging insurance;
 - Calling shareholder meetings and otherwise communicating with shareholders;
 - Dealing with distribution warrants;
 - Taking professional advice;
 - Conducting legal proceedings;
 - Such other duties as the Depositary is permitted or required by law to perform.
- 26.1.2.16 any expense incurred in relation to company secretarial duties including the cost of maintenance of minute books and other documentation required to be maintained by the Company;
- 26.1.2.17 expenses or disbursements of any legal or other professional adviser to the Company;
- 26.1.2.18 any payments otherwise due by virtue of the FSA Rules; and
- 26.1.2.19 any value added or similar tax relating to any change or expense set out herein

26.1.3 Value added tax is payable on these charges where appropriate.

26.1.4 Expenses are allocated between capital and income in accordance with the FSA Rules.

27 **Charges payable to the ACD**

27.1 In payment for carrying out its duties and responsibilities the ACD is entitled to deduct an annual fee from each Subfund, calculated on a mid-market basis.

27.2 The annual management charge accrues daily and is calculated and payable monthly. The current management charges for the Subfunds are set out in Appendix 1.

27.3 The ACD is also entitled to reimbursement of all reasonable, properly vouched, out of pocket expenses incurred in the performance of its duties, including stamp duty (if any) and stamp duty reserve tax on transactions in shares.

27.4 The ACD's fee for the Solus MultiManager Growth Fund, Solus MultiManager Balanced Fund and Solus MultiManager International Fund is split equally between the capital and income for each Subfund. Where the investment objective of a Subfund 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, which may constrain capital growth. This will only be done with the approval of the Depositary. This treatment of the ACD's fee will increase the amount of income available for distribution to shareholders in the Subfund concerned, but may constrain capital growth.

27.5 If a share Class's expenses in any period exceed the income the ACD may take that excess from the capital property attributable to that share Class.

27.6 The ACD may not introduce a new category of remuneration for its services without the approval of shareholders at a properly convened extraordinary general meeting. The ACD may also not increase the current rate or amount of its remuneration payable out of the Scheme Property of the Company or the initial charge unless, not less than 60 days before the increase, the ACD gives notice in writing of the introduction or increase and the date of its commencement to all shareholders and has made available a revised Prospectus reflecting the introduction or new rate and the date of its commencement.

28 **Investment Manager's fee**

The Investment Manager's fees and expenses (plus VAT thereon) will be paid by the ACD out of its remuneration under the ACD Agreement.

29 **Depositary's fee**

29.1 The Depositary is entitled to receive a fee out of the scheme property (plus value added tax thereon) for its services as depositary. The remuneration is a fixed annual percentage fee based on the value of the Subfunds. The ACD and the Depositary may determine these rates from time to time. The Depositary shall also be paid out of the scheme property the service charges. The present route of service charges are a transaction fee up to a maximum of £200. There are also safekeeping fees up to a maximum of 1% per annum. (VAT is not charged on the safekeeping or service charge, if any.)

29.2 The remuneration accrues and is paid on the same basis as the ACD's annual management charge.

30 **Administrator's and Registrar's Fee**

Except for the fees for establishing and maintaining the register of shareholders as set out in paragraph 26.1.2.3, the Administrator's and Registrar's Fee will be paid by the ACD out of the expenses payable to the ACD.

31 **Allocation of Fees and Expenses between Subfunds**

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Subfund in respect of which they were incurred but where an expense is not considered to be attributable to any one Subfund, the expense will normally be allocated to all Subfunds pro-rata to the value of the Net Assets of the Subfunds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to shareholders generally.

32 **Shareholder Meetings and Voting Rights**

32.1 **Annual General Meeting**

The Company will not hold annual general meetings.

32.2 **Requisitions of Meetings**

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

32.2.2 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.

32.3 **Notice of Quorum**

Shareholders will receive at least 14 days' notice of a shareholders' meeting and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two shareholders, present in person or by proxy. The quorum for an Adjourned Meeting is one shareholder present in person or by proxy. Notices of Meetings and Adjourned Meetings will be sent to shareholders at their registered addresses.

32.4 **Voting Rights**

32.4.1 At a meeting of shareholders, on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.

32.4.2 On a poll vote, a shareholder may vote either in person or by proxy. The voting rights attaching to each share are such proportion of the voting rights attached to all the shares in issue that the price of the share bears to the aggregate price(s) of all the shares in issue at the date seven days before the notice of meeting is deemed to have been served.

32.4.3 A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

32.4.4 Except where the FSA Rules or the Instrument of Incorporation of the Company require an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed) any resolution required will be passed by a simple majority of the votes validly cast for and against the resolution.

32.4.5 The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the FSA Rules) of the ACD is entitled to vote at any meeting of the Company except in respect of shares which the ACD or associate holds on behalf of or jointly with a person who, if the registered shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions. Where every Shareholder within the Company is prohibited under Rule 4.4.8R (4) of the FSA Rules from voting, a resolution may, with the prior written agreement of the Depositary, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares of the Company in issue.

32.4.6 "shareholders" in this context means shareholders on the date seven days before the notice of the relevant meeting was deemed to have been served but excludes holders who are known to the ACD not to be shareholders at the time of the meeting.

32.5 **Class and Subfund Meetings**

The above provisions, unless the context otherwise requires, apply to Class meetings and meetings of Subfunds as they apply to general meetings of shareholders.

32.6 **Mandatory Redemption and Cancellation**

A mandatory redemption may be required where a sale results in a holding falling below the required minimum holding or where a shareholder does not meet residence conditions. Cancellation may be required in the event of non payment by the investor or in the case of an inability to provide money laundering documentation supporting an application.

33 **Taxation**

33.1 **General**

The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, switching or disposing of shares under the laws of the jurisdiction in which they may be subject to tax.

33.2 **Taxation of the Company**

33.2.1 **Income**

Each Subfund will be liable to corporation tax on such part of its income as is subject to that tax at the same rate as the lower rate of income tax (currently 20%).

33.2.2 **Capital gains**

Capital gains accruing to a Subfund will be exempt from UK tax on chargeable gains.

33.2.3 **Relief for foreign withholding taxes**

To the extent that a Subfund receives income from, or realises gains on disposal of investments in, foreign countries it may be subject to foreign withholding or other taxation in those jurisdictions. To the extent it relates to income, this foreign tax may be able to be treated as an expense for UK corporation tax purposes, or it may be treated, up to certain limits, or a credit against UK corporation tax.

33.2.4 **Stamp Duty Reserve Tax**

The Finance Act 1999 introduced a new system of stamp duty reserve tax ('SDRT') for dealings in shares of OEIC as from 6 February 2000. The new regime generally imposes a 0.5% SDRT charge on the value of redemptions of shares to the ACD or Depositary and of third party transfers for value (collectively, a "surrender of shares"). The amount of tax payable will depend upon the pattern of dealing in shares and the type of investments held by the OEIC.

- If more shares of the same class are surrendered than issued during the two-week period, which consists of the week the surrender occurs and the following week, then the liability on a surrender of shares wholly for cash is reduced by multiplying the SDRT by the ratio I/S . This is where I and S are the number of shares issued and surrendered in the relevant two-week period.
- Secondly if a fund has investments in exempt assets, the liability is further reduced by multiplying the SDRT by the ratio $N/(N+E)$. This is where N and E are the average market values of the non-exempt and exempt assets of the fund over the two-week period. The main categories of non-exempt investments are UK equities and certain equity related UK bonds. The main categories of exempt investments are UK bonds which are not equity-related and foreign equities and bonds.

The ACD may charge the ‘SDRT’ for which the Company is liable in one of two ways.

Firstly, the ACD has the power to make SDRT provision, by which a charge is made directly to incoming or outgoing investors as a provision against the tax. Any amounts charged by way of such an exit or entry charge would be paid to the Depositary and become part of the property of the OEIC from which ‘SDRT’ would be paid. This means that for an incoming investor the cost of purchasing shares would increase or for a departing investor the proceeds from the sale of shares would reduce.

Alternatively, the ACD may treat ‘SDRT’ as an additional dealing expense, charged against the assets of the Subfunds and increasing the expenses incurred by them. This would have a detrimental effect on the Subfunds as a whole.

The ACD has decided, at the present time, not to make an SDRT provision but instead to treat SDRT as an additional expense. A notification to shareholders would be required if, in the future, the ACD decides to make an SDRT provision. The ACD does not intend to make any special arrangements for SDRT on large transactions, except as set out below.

SDRT charges arising from non-exempt transfers between shareholders will also be charged to the Subfunds. However, there may be circumstances where, in the interests of equity and fairness to all shareholders, the ACD reserves the rights to charge the SDRT to the transferee. In this respect, any transfers in excess of £15,000 may be subject to this charge.

33.3 **Taxation of the Investor**

33.3.1 **Income**

Dividend distributions

Where a Subfund pays a dividend distribution (or reinvests or accumulates it), a UK resident individual investor will be entitled to a tax credit equal to one-ninth of the distribution (ie 10% of the gross equivalent of the distribution). A UK resident individual investor who is a lower or basic rate taxpayer will be liable to income tax on the gross equivalent of the dividend distribution at the “ordinary” rate for dividend income of 10%. This liability will be fully discharged by the 10% tax credit and, accordingly, he will have no further income tax to pay on the

distribution. A UK resident individual investor who is a higher rate taxpayer will be liable to income tax on the gross equivalent of the dividend distribution at the “upper” rate for dividend income of 32.5%. The tax credit will discharge 10/32.5ths of this liability, leaving the investor with income tax still to pay of an amount equal to 22.5% of the gross distribution. For these purposes dividend income is treated as the top slice of an individual’s income. A UK resident individual investor whose income does not exceed his personal allowances will not be entitled to claim to have the tax credit paid to him in cash.

However, a UK resident individual investor who holds his shares in a PEP or an ISA will be exempt from income tax on dividend distributions paid in respect of such shares.

A dividend distribution paid by a Subfund to (or accumulated on behalf of) a corporate investor which, whether UK resident or not, is within the charge to corporation tax will, or may, be split into franked and unfranked parts. Very broadly, the unfranked part corresponds to such part of the relevant Subfund’s gross income as does not derive from franked investment income. The franked part (whether paid or accumulated) will be treated in the same way as a dividend from a UK resident company. The unfranked part (whether paid or accumulated on the corporate investor’s behalf), will be treated as an annual payment received after deduction of income tax at the lower rate, and the corporate investor will be liable to corporation tax on it but subject to credit for, or repayment of, the income tax deemed deducted at source. If the corporate investor is not resident in the UK, the limit in Section 129 of the Finance Act 1995 on the extent to which its income is chargeable to corporation tax may be applicable.

Non-resident investors will generally not be entitled to the tax credit to which UK resident individual investors are entitled in respect of a dividend distribution from any of the Subfunds, nor will they generally be liable to UK income tax at the 10% “ordinary” rate for dividend income on such a dividend distribution (whether paid or accumulated). Where there is no entitlement to a tax credit, a non-resident individual investor who is a higher rate taxpayer may be liable to UK income tax on such dividend distribution at a rate equivalent to the excess of the 32.5% “upper” rate for dividend income over the 10% “ordinary” rate for dividend income on an amount which, if reduced by income tax at the “ordinary” rate, would be equal to the amount of the dividend distribution actually paid or accumulated. However, a non-resident investor’s liability to UK income tax may be limited by the provisions of any double tax treaty between the UK and the country in which he is resident or by the provisions of Section 128 of the Finance Act 1995. Furthermore, certain non-resident individuals are entitled to personal reliefs in computing their liability (if any) to UK income tax. In addition, the non-resident investor may be entitled, under the provisions of some of the UK’s double tax treaties, to claim payment in cash from the Inland Revenue of a proportion of the tax credit to which a UK resident individual investor would be entitled in respect of a dividend distribution paid by a Subfund. However, with the basic tax credit at the rate of 10%, the amount which can be claimed in cash is likely to be nil or only a tiny fraction of the basic tax credit.

Holding in Subfund treated as a loan relationship

Where at any time in an accounting period a corporate investor within the charge to corporation tax has a holding in any of the Subfunds and there is a time in that period when the Subfund does not satisfy the “non-qualifying investments” test, that holding will be treated for the purposes of the Finance Act 1996 provisions

relating to the taxation of loan relationships as rights under a creditor relationship of the corporate investor. The fair value basis of accounting must be used as respects the deemed creditor relationship but this does not require the bringing into account for the purposes of the Finance Act 1996 provisions of any credit relating to any distributions of the Subfund which become due and payable in the relevant period other than interest distributions. Special rules apply where the holding is held in two consecutive accounting periods and the Subfund fails to satisfy the non-qualifying investments test in one of the periods but not the other.

Broadly, a Subfund will not satisfy the non-qualifying investments test at any time when the market value of its qualifying investments exceeds 60% of the market value of all its investments. “Qualifying investments” are broadly bank and building society deposits, loan stocks and investments in unit trusts, OEICs or offshore funds whose qualifying investments (other than investments in unit trusts, OEICs or offshore funds) exceed the 60% level at any time in the relevant accounting period. Cash awaiting investment is not regarded as an investment for this purpose.

33.3.2

Capital gains

An individual investor who is resident or ordinarily resident in the UK (including, in some cases, an investor who is only temporarily non-UK resident) will be liable to capital gains tax on any gain accruing to him on the disposal or deemed disposal (including conversion or redemption) of his holding in any Subfund. An indexation allowance may be available to reduce or eliminate such a gain but not to create or increase an allowable loss. However, the indexation allowance has been frozen for capital gains tax purposes as from the end of April 1998. Instead, the individual investor may be entitled to a “taper” relief, the availability of which depends on the number of years for which he owned the holding. He may also be entitled to set part or all of his gains against his annual capital gains tax exemption (£9,200 for 2007-2008).

However, a UK resident individual investor who holds his shares in a PEP or an ISA will be exempt from capital gains tax on any gain accruing to him on the disposal or deemed disposal of such shares.

A corporate investor which, whether UK resident or not, is within the charge to corporation tax will be liable to corporation tax on any gain accruing to it on the disposal or deemed disposal of its holding in any Subfund. An indexation allowance may be available to reduce or eliminate such a gain but not to create or increase an allowable loss.

An investor who is neither resident nor ordinarily resident in the UK will not normally be liable to UK tax on capital gains accruing to him on the disposal or deemed disposal of his holding in any Subfund, except where the holding is connected with a trade, profession or vocation carried on by him in the UK through a branch or agency or he falls within certain anti-avoidance provisions relating to temporary non-UK residence.

Where income equalisation applies, the part of the issue price of shares which reflects accrued income and is returned to the investor with the first allocation of income following the issue is deducted from the investor’s capital gains tax base cost in the shares.

33.4 **Inheritance tax**

A gift by an investor of his holding in any of the Subfunds or the death of an investor may give rise to a liability to inheritance tax, even if the investor is neither domiciled in the UK, nor deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK. For these purposes, a transfer of a holding at less than the full market value may be treated as a gift.

The above statements are only intended as a general summary of UK tax law and practice as at the date of this prospectus (which may change in the future) applicable to individual and corporate investors who are the absolute beneficial owners of a holding in the Company and their applicability will depend upon the particular circumstances of each investor. In particular, the summary may not apply to certain classes of investors (such as dealers in securities). Any investor who is in any doubt as to his UK tax position in relation to the Company should consult his UK professional adviser.

34 **Income equalisation**

34.1 Income equalisation applies in relation to all the current Subfunds of the Company.

34.2 Part of the purchase price of a share reflects the relevant share of accrued income received or to be received by the Company. This capital sum is returned to a shareholder with the first allocation of income in respect of a share issued during the relevant accounting period.

34.3 The amount of income equalisation is either the actual amount of income included in the issue price of that share or is calculated by dividing the aggregate of the amounts of income included in the price of shares issued or sold to shareholders in an annual or interim accounting period by the number of those shares and applying the resultant average to each of the shares in question.

35 **Winding Up of the Company or a Subfund of the Company**

35.1.1 The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the FSA Rules. A Subfund may only be wound up under the FSA Rules.

35.1.2 Where the Company or a Subfund are to be wound up under the FSA Rules, such winding up may only be commenced following approval by the FSA. The FSA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company) either that the Company will be able to meet its liabilities within 12 months of the date of the statement or that the Company will be unable to do so.

35.1.3 The Company or a Subfund may be wound up under the FSA Rules if:

35.1.3.1 an extraordinary resolution to that effect is passed by shareholders; or

35.1.3.2 the period (if any) fixed for the duration of the Company or a particular Subfund by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the

Instrument of Incorporation provides that the Company or a particular Subfund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Subfund) the Net Asset Value of the Subfund is less than £500,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Subfund); or

35.1.3.3 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 or the Subfund;

35.1.4 On the occurrence of any of the above:

35.1.4.1 COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5.6 (Investment and Borrowing) will cease to apply to the Company or the Subfund;

35.1.4.2 The Company will cease to issue and cancel shares in the Company or the Subfund and the ACD shall cease to sell or redeem shares or arrange for the Company to issue or cancel them for the Company or the Subfund;

35.1.4.3 No transfer of a share shall be registered and no other change to the register shall be made without the sanction of the ACD;

35.1.4.4 Where the Company is being wound-up, the Company shall cease to carry on its business except in so far as it is beneficial for the winding up of the Company;

35.1.4.5 The corporate status and powers of the Company and, subject to the provisions of Clauses 35.1.4.1 and 35.1.4.2 above, the powers of the ACD shall remain until the Company is dissolved.

35.1.5 The ACD shall, as soon as practicable after the Company or the Subfund falls to be wound up, realise the assets and meet the liabilities of the Company and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to shareholders proportionately to their rights to participate in the scheme property of the Company or the Subfund. When the ACD has caused all of the scheme property to be realised and all of the liabilities of the Company or the Subfund to be realised, the ACD shall arrange for the Depositary to also make a final distribution to shareholders as at the date on which the final account is sent to shareholders of any balance remaining in proportion to their holdings in the Company or the Subfund.

35.1.6 As soon as reasonably practicable after completion of the winding up of the Company or the Subfund, the ACD shall notify the Registrar of Companies and shall notify the FSA that it has done so.

35.1.7 On completion of a winding up of the Company, the Company will be dissolved and any money which is legitimately the property of the Company (including unclaimed distributions) and standing to the account of the Company, will be paid into court within one month of dissolution.

- 35.1.8 Following the completion of a winding up of either the Company or a Subfund, the ACD must prepare a final account showing how the winding up took place and how the scheme property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditors' report must be sent to the FSA and to each shareholder within two months of the termination of the winding up.
- 35.1.9 As the Company is an umbrella company, any liabilities attributable or allocated to a Subfund under the FSA Rules shall be met first out of the scheme property attributable or allocated to that Subfund.
- 35.1.10 If the liabilities of a Subfund are greater than the proceeds of the realisation of the scheme property attributable or allocated to the Subfund, the deficit shall be met out of the scheme property attributable or allocated to Subfunds in respect of which the proceeds of realisation exceed liabilities and will be divided between the Subfunds in a manner which is fair to shareholders in those Subfunds.

36 **General Information**

36.1 **Accounting Periods**

- 36.1.1 The annual accounting period of the Company ends each year on 31 March (the accounting reference date). The interim accounting period ends each year on 30 September.

36.2 **Income Allocations**

- 36.2.1 Allocations of income are made in respect of the income available for allocation in each accounting period.
- 36.2.2 Distributions of income for each Subfund are paid by cheque or bank transfer on or before the annual income allocation date of 31 July and (in the case of Subfunds with net income shares in issue) on or before the interim allocation date of 30 November in each year.
- 36.2.3 If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Company.
- 36.2.4 The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the relevant Subfund in respect of that period, and deducting the charges and expenses of the relevant Subfund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the ACD considers appropriate after consulting the auditors.

36.3 **Fewer than two Subfunds**

If for a period of 24 consecutive months beginning at any time after the first issue of shares in the Company shares in respect of fewer than two Subfunds are in issue, the Directors must take such action as is necessary to change the category of the Company or cause shares in respect of more than one Subfund to be in issue. This does not apply if winding up of the Company has begun on or before the expiry of the 24 month period.

36.4 **Annual Reports**

Annual reports of the Company will be published within four months of each annual accounting period and half-yearly reports will be published within two months of each interim accounting period and may be obtained by contacting the ACD on 0870 043 4830.

All investors will be sent a copy of a Short Report for their relevant Subfund(s) within four months of each annual accounting period and within two months of each interim accounting period. Long Reports for the Subfunds and the Company are available on request.

36.5 **Documents of the Company**

36.5.1 The following documents may be inspected free of charge between 9.00 am and 5.00 pm every business day at the offices of the ACD at Founders Court, Lothbury, London EC2R 7HE:

36.5.1.1 the most recent annual and half-yearly reports of the Company;
and

36.5.1.2 the Instrument of Incorporation (and any amending instrument of incorporation).

36.5.2 purchasers of shares may obtain copies of the above documents from the above address.

36.6 **Notices**

Notices and Documents will be sent to the Shareholders registered address.

36.7 **Complaints**

Complaints concerning the operation or marketing of the Company may be referred to the compliance officer of the ACD at Founders Court, Lothbury, London EC2R 7HE or, if preferred, direct to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London E14 9SR.

APPENDIX 1

Investment objectives, policies and other details of the Subfunds

Investment of the assets of each of the Subfunds must comply with the FSA Rules and with the Subfund's own investment objective and policy. Details of each Subfund's investment objective and policy and other Subfund specific information is set out in this Appendix. A detailed statement of the investment and borrowing restrictions applicable to the Company is set out in Appendix 2.

It is the ACD's intention that derivatives be used for hedging purposes using efficient portfolio management style techniques.

SOLUS MULTIMANAGER GROWTH FUND

Investment Objective and Policy

The Subfund aims to provide long term capital growth from an actively managed portfolio of regulated collective investment schemes. Diversification is provided via a combination of global equity and fixed income components.

Classes of shares available	A Income Shares A Accumulation Shares
Currency of denomination	UK sterling
Minimum initial investment	£500
Minimum subsequent investment	No minimum
Minimum withdrawal	No minimum, provided minimum holding remains
Minimum holding	£500
Regular Savings Plan Available	Yes
Regular Savings Plan Minimum Monthly Investment	£40
ACD's initial charge	3.5%
Annual management charge*	1.25% A Income Shares 1.25% A Accumulation Shares
Annual accounting date	31 March
Interim accounting date	30 September
Annual income allocation date	31 July
Interim income allocation date	30 November

*The ACD and the Depositary have agreed that the manager's periodic charge may be split equally between the capital and income of the fund and this may constrain capital growth. This may accordingly erode capital or constrain future capital growth.

The Subfund is suitable for retail investors.

SOLUS MULTIMANAGER BALANCED FUND

Investment Objective and Policy

The Subfund aims to provide long-term capital and income growth from an actively managed portfolio of regulated collective investment schemes. Diversification is provided via a combination of global equity and fixed income components.

Classes of shares available	A Income Shares A Accumulation Shares
Currency of denomination	UK sterling
Minimum initial investment	£500
Minimum subsequent investment	No minimum
Minimum withdrawal	No minimum, provided minimum holding remains
Minimum holding	£500
Regular Savings Plan Available	Yes
Regular Savings Plan Minimum Monthly Investment	£40
ACD's initial charge	3.5%
Annual management charge*	1.25% A Income Shares 1.25% A Accumulation Shares
Annual accounting date	31 March
Interim accounting date	30 September
Annual income allocation date	31 July
Interim income allocation date	30 November

*The ACD and the Depositary have agreed that the manager's periodic charge may be split equally between the capital and income of the fund and this may constrain capital growth. This may accordingly erode capital or constrain future capital growth.

The Subfund is suitable for retail investors.

SOLUS MULTIMANAGER INTERNATIONAL FUND

Investment Objective and Policy

The Subfund aims to provide long-term growth from an actively managed portfolio of regulated collective investment schemes. The portfolio offers a diversified route for investors seeking international equity exposure, excluding the UK.

Classes of shares	A Income Shares A Accumulation Shares
Currency of denomination	UK sterling
Minimum initial investment	£500
Minimum subsequent investment	No minimum
Minimum withdrawal	No minimum, provided minimum holding remains
Minimum holding	£500
Regular Savings Plan Available	Yes
Regular Savings Plan Minimum Monthly Investment	£40
ACD's initial charge	3.5%
Annual management charge*	1.25% A Income Shares 1.25% A Accumulation Shares
Annual accounting date	31 March
Interim accounting date	30 September
Annual income allocation date	31 July
Interim income allocation date	30 November

*The ACD and the Depositary have agreed that the manager's periodic charge may be split equally between the capital and income of the fund and this may constrain capital growth. This may accordingly erode capital or constrain future capital growth.

The Subfund is suitable for retail investors.

APPENDIX 2

1 **Investment and borrowing powers of the Company**

The full investment and borrowing powers that may be adopted by the Company are contained within Chapter 5.6 of the FSA's New Collective Investment Scheme Sourcebook, a copy of which is available on their website (www.fsa.gov.uk), which is also available from the ACD upon request. The following restrictions apply.

1.1 **Investment restrictions**

The property of each Subfund will be invested with the aim of achieving the investment objective of that Subfund but subject to the limits on investment set out in Chapter 5.6 of the FSA Rules and this prospectus. Each of the Subfunds would be categorised as *non-UCITS retail schemes* if separate authorisation orders had been issued for them, however they do not currently have the full investment and borrowing powers available to such schemes under Chapter 5.6. The investment limits applying to each Subfund are as summarised below:

1.2 Each Subfund may invest in any one, or a combination of, collective investment schemes (a "second scheme") provided that:

1.2.1 The second scheme:

1.2.1.1 satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

1.2.1.2 is a non-UCITS retail scheme; or

1.2.1.3 is a recognised scheme; or

1.2.1.4 is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those a non-UCITS retail scheme; or

1.2.1.5 is a scheme not falling within 1.2.1.1 to 1.2.1.4 and in respect of which no more than 20% in value of the scheme property (including any transferable securities which are not approved securities) is invested.

1.2.2 The second scheme operates on the principle of the prudent spread of risk;

1.2.3 The second scheme is prohibited from having more than 15% in value of the property of that scheme consisting of units in collective investment schemes;

1.2.4 The participants in the second scheme must be entitled to have their units redeemed in accordance with the scheme at a price:

1.2.4.1 related to the net value of the property to which the units relate; and

1.2.4.2 determined in accordance with the scheme; and

- 1.2.5 Where the second scheme is an umbrella, the provisions in 1.2.2 to 1.2.4 and 5.6.7R of the FSA Rules (Spread: general) apply to each sub-fund as if it were a separate scheme.
- 1.3 Under the terms of the FSA Rules not more than 20% of the value of the Subfunds may be invested in a single scheme.
- 1.4 The Subfunds may be invested in units in other collective investment schemes managed by the ACD or associates or controllers of the ACD provided that the ACD pays into the relevant scheme property the amount or equivalent of any charges on issue or disposal of such units or shares (excluding any form of dilution levy) borne by the Subfunds in accordance with COLL 5.2.16R.
- 1.5 Cash or near cash may be held for liquidity purposes or the efficient management of the Subfunds.
- 1.6 Except for hedging instruments, the Subfunds may not acquire any investment which has an actual or contingent liability attached unless the maximum amount of such liability is ascertainable at the time of the acquisition.

2 Use of Derivatives and Forward Transactions

Derivatives and forward transactions may only be used for the purposes of Hedging. In pursuing a Subfund’s objective the ACD may make use of a variety of derivatives and forward transactions in accordance with the FSA Rules. Where derivatives are used for Hedging, or in accordance with Efficient Portfolio Management¹ techniques, then this will not compromise the risk profile of the Subfund. Use of derivatives and forward transactions will not contravene any relevant investment objectives or limits.

- 2.1 Except as set out in 2.4 below there is no upper limit on the use of transactions in derivatives or forward transaction for each Subfund but they must fall under 2.2 and 2.3.
- 2.2 A transaction in a derivative or forward transaction must:
- 2.2.1
- (i) if an OTC (Over The Counter), be in an Approved Derivative; or
 - (ii) be in a future, an option or a contract for differences which must be entered into with a counterparty that is acceptable in accordance with the FSA Rules, must be

¹ Efficient Portfolio Management (“EPM”) transactions may involve options, futures or contracts for differences or forward transactions in accordance with the Regulations. There is no limit on the amount of the property of a Subfund which may be used for these purposes, but there are various requirements which must be satisfied. The specific aims of EPM are:

- (a) the reduction of risk - to hedge against either price or currency fluctuation to avoid volatility in the market and limit the down side of the risk;
- (b) the reduction of cost; and
- (c) the generation of additional capital or income for a Scheme with no, or an acceptably low, level of risk.

The transaction must be economically appropriate for the purposes of EPM and any exposure must be fully covered by cash or other property sufficient to meet any obligation to pay or deliver that could arise

on approved terms as to valuation and close out and must be capable of valuation.

2.2.2 have the underlying consisting of any or all of the following to which the Subfund is dedicated:

- (i) transferable securities;
- (ii) permitted money market instruments;
- (iii) permitted deposits;
- (iv) permitted derivatives;
- (v) permitted collective investment scheme units;
- (vi) financial indices;
- (vii) interest rates;
- (viii) foreign exchange rates; and
- (ix) currencies.

2.2.3 be effected on or under the rules of an eligible derivatives market, it must not cause the Subfund to diverge from its investment objective, must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units in collective investment schemes, or derivatives and must be with an approved counterparty.

Use of derivatives must be supported by a risk management process maintained by the ACD which should take account of the investment objective and policy of the ACD.

2.3 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 the scheme is or may be committed by another person is covered in 2.3.1.

2.3.1 Exposure is covered if adequate cover from within the scheme property for the Subfund is available to meet its total exposure, taking into account the initial outlay, the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

2.3.2 Cash not yet received into the Scheme Property of the Subfund, but due to be received within one month, is available as cover for the purposes of 2.3.1.

2.3.3 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.

2.3.4 The exposure relating to derivatives held in the Subfund may not exceed the net value of its scheme property.

2.4 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the scheme property of a Subfund. This limit is raised to 10% where the counterparty is an approved bank.

2.5 In applying the limits in 1 and 2.4 not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following: (a) transferable securities or money market instruments issued by; or (b) deposits made with; or (c) exposures from OTC derivatives transactions made with; a single body.

Borrowing powers

The Company may borrow money for each Subfund repayable out of the property of the relevant Subfund in accordance with the Regulations, provided that all such sums borrowed and outstanding do not exceed 10% in value of the property of the relevant Subfund. However, this 10% limit does not apply in the case of back-to-back borrowing for the purposes of currency hedging entered into in the context of efficient portfolio management.

The ACD must ensure that the borrowing of the Company is on a temporary basis, and in particular must ensure that no period of borrowing exceeds three months without the prior consent of the Depositary.

Borrowings may be made from and deposits made with the Depositary or any of its associates, provided they are bankers and any such borrowings and deposits are on normal commercial terms. There is no liability on such bankers to account to the ACD or to shareholders for any profit they may derive therefrom.

DIRECTORY

The Company and Head Office:

Solus MultiManager Investment Company
Founders Court,
Lothbury,
London EC2R 7HE

Authorised Corporate Director:

KBL Investment Funds Limited
Founders Court,
Lothbury,
London EC2R 7HE

Administrator:

Northern Trust International Funds Administration Services (UK) Ltd
Global Fund Services
50 Bank St
Canary Wharf
London E14 5NT

Depositary:

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EH12 1HQ

Auditors:

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Investment Manager:

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Founders Court
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London EC2R 7HE

Registrar

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