

**THIS DOCUMENT IS IMPORTANT. IF YOU ARE UNCLEAR ABOUT THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT A PROFESSIONAL FINANCIAL ADVISER.**

# Offering Document

relating to the

# KHG BALANCED PORTFOLIO

a group of Sub-classes of  
**KHG Funds PLC**

(a company incorporated in the Isle of Man under the Companies Act 2006)

*Promoter and Investment Manager*  
**Creechurch Capital Limited**

**This document is dated 7 July 2015**

This Offering Document relates to the issue of shares in respect of the:

- KHG Balanced Fund (GBP) (the “**GBP Sub-class**”);
- KHG Balanced Fund (USD) (the “**USD Sub-class**”);
- KHG Balanced Fund (EUR) (the “**EUR Sub-class**”);
- KHG Balanced International Fund (USD)(the “**International-USD Sub-class**”); and
- KHG Balanced International Fund (GBP)(the “**International-GBP Sub-class**”)

each being one of a group of Sub-classes of KHG Funds PLC (the “**Fund**”) collectively referred to as the KHG Balanced Portfolio. The Fund is established in the Isle of Man as a Regulated Fund, which is subject to the Isle of Man Collective Investment Schemes (Regulated Fund) Regulations 2010.

Distribution of this Offering Document is not authorised unless accompanied by the most recently available Master Offering Document relating to the Fund dated 7 July 2015 (the “**Master Offering Document**” and, together with this document, the “**Offering Documents**”). This Offering Document constitutes the “Supplementary Offering Document” for the purposes of the Master Offering Document; this Offering Document and the accompanying Application Form should be read in conjunction with the Master Offering Document and may not otherwise be relied upon. In the event of a conflict between any provision of this Offering Document and any provision of the Master Offering Document, the terms of this Offering Document shall prevail. This Offering Document sets out the investment objective, strategy, policies and restrictions applicable to the Portfolio and the terms of investment in the Portfolio, together with other information that is specific to each Sub-class. This Offering Document is summary in nature and reference should be made in all respects to the more detailed generic information set out in the Master Offering Document.

Your attention is drawn to the “**Important Notice**” set out in the Master Offering Document. Certain words and expressions used in this Offering Document are defined in the text and, unless the context otherwise requires, such definitions shall apply throughout this document. Your attention is also drawn to the “**Definitions**” section of the Master Offering Document, which sets out definitions of certain words and expressions used in the Master Offering Document; such words and expressions bear the same meanings when used in this Offering Document, unless the context otherwise requires.

The text of the Offering Documents should be read in whole. An investment in the Fund involves a degree of risk and, in particular, attention is drawn to the section of the Master Offering Document entitled “**Risk Factors**”, which describes risks affecting the Fund and its Portfolios as a whole; any further risks specific to the Portfolio are set out in this Offering Document.

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## EXECUTIVE SUMMARY

This summary is for information only and is qualified in its entirety by the more detailed information set out in the rest of this Offering Document and in the Master Offering Document.

### Introduction

The KHG Balanced Portfolio is a group of Sub-classes of KHG Funds PLC, an Isle of Man open-ended investment company that is established as a Regulated Fund for the purposes of Isle of Man regulation. Permitted Investors whose applications are accepted by the Manager will be issued with Shares entitling them to participate in the assets of the relevant Portfolio and to redeem those Shares in accordance with, and subject to, the provisions of the Articles. Each of the Sub-classes within the KHG Balanced Portfolio has been established to permit investors to subscribe for Shares in the Portfolio in various currencies with the option of electing for an Initial or Deferred Sales Charge and to receive any redemption proceeds in the same currency in due course.

### Investment Objective and Policy

The KHG Balanced Portfolio is intended to meet the needs of investors who seek growth over the medium to long term and who are willing to assume a medium level of risk. The portfolio of assets will primarily be collective investment schemes and may consist of actively managed funds, exchange traded funds, investment trusts, structured products and hedge funds.

Investment exposure will be to international bond and equity markets with the spread of investments providing diversification to reduce the risk compared to investing in a single market. Investments will be made across a spread of underlying funds encompassing equity, cash, bonds and alternative investment schemes. These may include global as well as country, region and sector specific funds, the allocation to which will vary with the Investment Manager's outlook on growth potential.

The Investment Manager may enter into specific currency hedging transactions for the account of each individual Sub-class in order to seek to manage its exposure to fluctuations in the relative values of the Base Currency of the Portfolio and the currencies in which the investments are denominated, which is expected to be mainly Pounds Sterling.

### Terms of Investment

Potential investors are required to remit a minimum initial investment to the value of GBP10,000, USD15,000 or EUR12,500 in the appropriate Sub-class and any additional remittances are to be no less than GBP1,000, USD1,500 or EUR1,250 in the appropriate Sub-class. Shares may generally be acquired or redeemed weekly on a Thursday.

### Service Providers

The Manager of the Fund is SMP Fund Services Limited which is licensed by the Isle of Man Financial Supervision Commission to provide, *inter alia*, collective investment scheme services. The Investment Manager and Promoter of the KHG Balanced Portfolio, and all other Portfolios of the Fund, is Creechurch Capital Limited, which is licensed by the Isle of Man Financial Supervision Commission to undertake investment business. The Fiduciary Custodian of the Fund is Royal Bank of Canada (Channel Islands) Limited, which is licensed by the Guernsey Financial Services Commission, *inter alia*, to act as fiduciary custodian to funds of this type. The Auditor of the Fund is Moore Stephens in the Isle of Man.

### Action to Be Taken

If you are interested in investing in the Portfolio and are a Permitted Investor, then please read the rest of this document and the Master Offering Document carefully. Copies of certain other documents relating to the Fund are available from the Manager upon request, as described on page 44 of the Master Offering Document. Thereafter, the accompanying Application Form should be completed carefully in accordance with the instructions set out therein. You should ensure that you complete the correct type of Application Form (which is determined by whether you, the applicant, are an individual or a body corporate investing for your own account, or whether you are an individual or body corporate investing on behalf of another as trustee, nominee or agent etc.). The completed Application Form should then be returned to the Manager; any questions regarding the application process should also be addressed to the Manager, whose contact details are set out in the Application Form and on page 6 of the Master Offering Document.

## KEY FEATURES AND INVESTMENT APPROACH

The key features and investment approach of the KHG Balanced Portfolio (the “**Portfolio**”) are as follows:

**Names of the Sub-classes:** KHG Balanced Fund (GBP), KHG Balanced Fund (USD), KHG Balanced Fund (EUR), KHG Balanced International Fund (USD), KHG Balanced International Fund (GBP).

**Commencement of Sub-class Activities:** The GBP Sub-class commenced trading on 10 January 2011. The USD Sub-class and EUR Sub-class have been created on 6 December 2011 and are open to investment. The International-USD Sub-class and International-GBP Sub-class will be open to investment as at the date of this Offering Document.

**Sub-class currency:** Pounds Sterling, United States Dollars or Euros, as appropriate.

**Shares Available for Subscription in relation to the Portfolio:** Participating Redeemable Preference Shares of GBP0.01, USD0.01 and EUR0.01 issued in the relevant Sub-class currency and having the rights and restrictions described or referred to in the Master Offering Document.

**Investment Objective and Strategy of the Portfolio:** The KHG Balanced Portfolio is intended to meet the needs of investors who seek growth over the medium to long term and who are willing to assume a medium level of risk. The portfolio of assets will primarily be collective investment schemes and may consist of actively managed funds, exchange traded funds, investment trusts, structured products and hedge funds.

Investment exposure will be to international bond and equity markets, with the spread of investments providing diversification to reduce the risk compared to investing in a single market. Investments will be made across a spread of underlying funds encompassing equity, cash, bonds, and alternative investment schemes. These may include global as well as country, region and sector specific funds, the allocation to which will vary with the Investment Manager’s outlook on growth potential.

The Investment Manager may enter into specific currency hedging transactions for the account of each individual Sub-class in order to seek to manage its exposure to fluctuations in the relative values of the Base Currency of the Portfolio and the currencies in which the investments are denominated, which is expected to be mainly Pounds Sterling.

**Proposed Asset Classes and Portfolio Composition:** Subject to the Investment Restrictions overleaf the assets of the Portfolio will comprise collective investment schemes, exchange traded funds, investment trusts and other closed-ended investment vehicles that are actively traded on a stock exchange, structured products and some Unregulated AIFs (as defined on page 7), which may be established in various jurisdictions.

The holdings in both international and region-specific equity funds (including fixed income funds) and international hedge funds will have a weighting between equity funds and other funds consistent with the Investment Manager’s asset allocation model.

Save during times of market turbulence, it is expected that the largest proportion of the assets of the Portfolio will be allocated to investments providing exposure to equity markets. Equity market exposures are expected to focus on the UK, but the Investment Manager has a global mandate and may make allocations to US, European, Far Eastern and other markets.

Large allocations are also expected to be made to investments providing exposure to fixed income assets. Fixed income exposures are expected to focus on sterling denominated assets, but the Investment Manager may make allocations to United States Dollar and Euro denominated assets.

A smaller allocation is also expected to be made to investments providing exposure to alternative investment strategies or through funds of funds (“**Alternative Investment Funds**”) and/or themed investments focusing on a particular sector, such as environmental, new energy, commodities, property and infrastructure (“**Themed Investment Funds**”).

The Portfolio may cross-invest into one or more Recipient Portfolios established by the Fund from time to time. Recipient Portfolios will have different investment objectives, strategy and/or restrictions to those of the Investing Portfolio. The Investing Portfolio will not invest in any Recipient Portfolio of the Fund which already holds a cross-investment in another Recipient Portfolio of the Fund. Subject to any applicable restrictions on promotion, a copy of the Supplementary Offering Document for each other Portfolio of Sub-classes can be obtained from the Manager on request.

## KEY FEATURES AND INVESTMENT APPROACH

The Portfolio will also hold a certain proportion of cash. It is expected that, save during times of market turbulence, the proportion of cash will be relatively small and intended to allow the Sub-classes to meet routine expenses and ad hoc redemptions without necessarily requiring the realisation of investments.

### Proposed Borrowings:

The Directors have approved the use of borrowing up to 25% of the Net Asset Value of the Portfolio. Such borrowing facilities will only be utilised where investment trade settlement timing differences necessitate the use of the facility.

Should the borrowing limit stated above be exceeded as a result of changes in value or contraction of the Portfolio through redemptions, then further borrowings will be precluded until such time as the limit is restored. The Directors, in consultation with the Investment Manager, will take appropriate steps to restore the limit as soon as reasonably practicable having regard to the interests of the Shareholders.

### Proposed Use of Derivatives/Leverage:

None.

### Hedging Policy:

The Investment Manager may use hedging techniques or arrangements to seek to reduce the impact of currency fluctuations as between the currency of the Portfolio and the currency of investments held for the account of the Portfolio or between the Base Currency of the Portfolio and the currency of each Sub-class, with the benefits and costs of such techniques or arrangements being credited to or borne only by the relevant Sub-class. The utilisation of such hedging techniques will result in the facilitator exercising a general lien over the assets of the Portfolio up to a value that will not exceed the value of the hedge exposure.

### Investment Restrictions for the Portfolio:

It is intended that no single investment or issuer (as further described on page 9) will account for more than 10 per cent of the Net Asset Value of the Portfolio. During times of market turbulence the Investment Manager may determine (after discussion with the Directors) that this limit should be raised to 20 per cent.

No more than 55 per cent of the Net Asset Value of the Portfolio may be invested in investments proving exposure to equity markets.

No more than 65 per cent of the Net Asset Value of the Portfolio may be invested in investments proving exposure to fixed income assets.

No more than 40 per cent in aggregate of the Net Asset Value of the Portfolio may be invested in unregulated alternative investment funds or themed investment funds and property structured investments.

No direct investment in securities will be made.

The Investment Manager will seek to invest in structured products that are managed by regulated asset managers and which provide daily liquidity without contractual redemption penalties. See the section of this document entitled “**Specific Risk Factors**” for more information on structured products.

No more than 30 per cent in aggregate of the Net Asset Value of the Portfolio may be invested in property related structures “**Specific Risk Factors**” for further information on property.

No more than 40 per cent in aggregate of the Net Asset Value of the Portfolio may be invested in structured products and Unregulated AIFs at any time - see the section of this document entitled “**Specific Risk Factors**” for further information on Unregulated AIFs.

These investment restrictions may be inadvertently breached as a result of changes in the price or value of assets brought about through movements in the market or corporate actions. In such circumstances the Directors, in conjunction with the Investment Manager, will take immediate action to rectify such breaches in the investment restrictions of the Portfolio. However any such breach may take a further period of time to fully resolve, taking into account pertinent factors such as settlement timing differences, having regard to the interests of investors.

### Risk Factors relating to an Investment in the Portfolio:

Reference should be made to the risks described above, in the section of the Master Offering Document entitled “Risk Factors” and in the section of this document entitled “**Specific Risk Factors**”.

## **KEY FEATURES AND INVESTMENT APPROACH**

- Monitoring:** The Investment Manager will seek to ensure that the assets attributable to the Portfolio are collective investment schemes, alternative investment funds, investment trusts, unit trusts or other investment vehicles, including structured products, which meet its risk monitoring requirements and evaluation process. This process takes into account, amongst other things, the investment selection techniques and performance of the managers of the underlying investments. The Investment Manager will only invest in investment vehicles which, in its opinion, are operated within the highest standards for the asset class.
- Distribution Policy:** It is not anticipated that any income of the Portfolio will be distributed by way of dividend, although the Manager may do so in its discretion from time to time.
- Minimum NAV:** The minimum aggregate Net Asset Value for the Portfolio (as determined by the Directors) is GBP2,500,000, meaning that if the aggregate Net Asset Value of the Portfolio falls below this level on each Valuation Day falling within the Minimum NAV Testing Period the Manager may (but is not obliged to) redeem compulsorily all of the Shares of each of the Sub-classes in the Portfolio.
- Minimum NAV Testing Period:** Any two month period.

## SPECIFIC RISK FACTORS

Reference should be made to the section of the Master Offering Document entitled “**Risk Factors**”. In addition, particular note should be taken of the following matters:

### **Collective Investment Scheme Risks**

Special attention should be paid to the risks set out in the “Collective Investment Schemes Risks” section of the Master Offering Document.

### **No Current Income**

The Portfolio is not suitable for investors seeking current income.

### **Concentration Risk**

Where the Investment Manager is permitted to hold a smaller number of investments this will result in a concentrated portfolio and less risk spreading; losses on one investment may have a greater proportionate effect on the value of the portfolio. This may arise during periods of market turbulence.

### **Cross-Investment in Other Portfolios by the Portfolio**

A proportion of the assets of the Portfolio may be used to subscribe for new Shares in one or more Recipient Portfolios established by the Fund from time to time. Any such Shares will be held for the account of the Investing Portfolio in the name of the Custodian (or its nominee). As a consequence, an investor in the Investing Portfolio will be exposed to the investment objectives, strategy and/or restrictions of the Recipient Portfolio(s) and the performance of the Recipient Portfolio(s) will affect the performance of an investor’s holding of Shares in the Investing Portfolio. Subject to any applicable restrictions on promotion, a copy of the Supplementary Offering Document for each Recipient Portfolio can be obtained from the Manager on request.

### **Unregulated AIFs**

The Portfolio may invest in Alternative Investment Funds which, in the opinion of the Investment Manager, operate under minimal regulations (“**Unregulated AIFs**”). Such Unregulated AIFs may trade on a leveraged basis (taking long and short positions) in futures, options, currency and security markets which frequently exhibit a high degree of volatility and can, under unusual circumstances be illiquid. Futures and certain options and some other instruments that involve an element of gearing carry a high degree of risk. A relatively small market movement or certain investment strategies which involve futures, options and some other instruments may have a disproportionately large impact, unfavourable as well as favourable, on the amount of funds invested or committed to such investments or strategies. In such circumstances these Unregulated AIFs could lose or gain substantially more than the Investment Manager intended.

The Investment Manager would draw to the attention of prospective investors the fact that Unregulated AIFs are generally not subject to regulatory rules regarding portfolio diversification and liquidity and are not subject to active trading on a stock exchange. Prospective investors should be aware that investment in Unregulated AIFs generally carries greater risk than in more regulated funds. Unregulated AIFs are not generally subject to rules regarding frequency of dealing or diversification of assets, may not appoint custodians and may not be subject to any reporting regime, so losses or breaches of investment restrictions may not be identified. Some of the assets of Unregulated AIFs may be illiquid or difficult to value and there may be corresponding delays in realising an investment in such a fund (or receiving the proceeds thereof) as a result of the imposition of gates, suspensions or deferrals of payment.

### **Structured Products**

These investments are similar to those issued by investment banks or their affiliated entities and usually involve a pre-packaged investment strategy using notes and derivatives. The Investment Manager is empowered to invest the assets of the Portfolio in these type of products, subject to the investment restrictions set out in the section of this document entitled “**Key Features and Investment Approach**”. The Investment Manager will only invest in structured products that ordinarily provide for daily liquidity, but such liquidity would be subject to bid-offer spreads and may not be available in certain circumstances.

### **Property**

The Portfolio may invest into property structured investments such as collective investment schemes.

Property sales within a property structured investment can take a long time to complete and it can be difficult to establish an accurate valuation of individual properties. As a result, the Portfolio may encounter liquidity and valuation risks when investing in property structured investments, which the Investment Manager will take into account when assessing their suitability. The Investment Manager may also invest in overseas property structured investments thus exposing the Portfolio to the risk of changes in the exchange rate. In some circumstances, a “deferral period” may apply when withdrawing from such structures. The Investment Manager will take into consideration any deferral period associated with a property structured product before

## SPECIFIC RISK FACTORS

committing the Portfolio.

### Currency Exposure

Prospective investors in the Portfolio should note that the Investment Manager is empowered to invest in assets that are denominated in currencies other than that of the respective Sub-classes. The Investment Manager may choose to enter into hedging arrangements for a Sub-class to seek to reduce the impact of currency exchange risks but there is no guarantee that such arrangements will be put in place. Prospective investors in USD or EUR denominated Sub-classes should note that the majority of investment assets are expected to be denominated in Pounds Sterling. The Investment Manager may enter into currency hedging transactions for the account of each of these Sub-classes in order to seek to mitigate the impact of fluctuations in relative value of Pounds Sterling, on the one hand, and US Dollars or Euros (as the case may be) on the other. Prospective investors in these Sub-classes must be aware that any currency hedging arrangements undertaken for the account of these Sub-classes are unlikely to provide a perfect hedge. Fluctuations in fund size arising from subscriptions and redemptions, as well as movements in the composition of the investment portfolio, associated with uncertainties as to the timing of transactions and the impact of one-off transaction costs means that the currency exposure of each Sub-class will almost inevitably be over or under hedged from time to time. If currency hedging techniques are employed in relation to a Sub-class the costs of such arrangements will be treated as a cost of that Sub-class which may give rise to a divergence in performance as between the GBP Sub-class which are denominated in other currencies. The attention of prospective investors is drawn to the paragraph relating to "Currency Exchange Risks" set out in the section of the Master Offering Document entitled "**Risk Factors**".

### Cross-liability of borrowing

Investors are advised that, although each Portfolio and a relevant Sub-class will be treated as bearing its own liabilities, the Fund as a whole will remain liable to third parties for all liabilities of the Fund.

### Borrowing facility provision

Investors are advised that any borrowing or foreign exchange facility that has been arranged by the Directors may be withdrawn at any time by the provider of such facilities.

### Lien on assets of the Fund

In entering into the borrowing facility with a provider, the Directors may agree to a general lien over the assets of the Fund.

### Settlement timing

Where an investment in the Portfolio has been realised and is not subject to contractual settlement, the Portfolio is reliant upon the proceeds from the realisation of the investment being remitted in accordance with the initial investment agreement. Delays may occur whereby remittances are not received in accordance with the initial investment agreement.

### Deferred sales charge

The performance of the International Sub-classes will diverge from the Sub-classes that do not have a Deferred Sales Charge.

Any Deferred Sales Charge applied in the International Sub-classes will be an expense of the relevant International Sub-class which will be amortised weekly on a per Share basis over the five years from subscription for the relevant shares. Any Deferred Sales Charge applied is payable to the Investment Manager (for its benefit) or as it may direct.

Prospective investors should be aware of the way in which the Deferred Sales Charge in an International Sub-class is amortised whereby an inequality may arise between holders of Participating Shares in the same relevant Sub-class.

The performance of the International Sub-classes within a Portfolio will diverge from the performance of the Sub-classes of the same Portfolio which do not have a Deferred Sales Charge.

**Shareholders who have invested in Shares in an International Sub-class for a period of not less than 5 years will be given the option of redeeming from the relevant International Sub-class into another Sub-class (other than another International Sub-class) without incurring an Exit Penalty. Shareholders who decide to take advantage of this facility are recommended to seek advice from their tax or financial adviser.**

### Conflicts

From time to time the Investment Manager may identify an investment opportunity that either the Investment Manager (or its

## **SPECIFIC RISK FACTORS**

directors or associated) manages or upon which they advise. In such cases the Investment Manager will consider the performance return of such an investment in the light of other suitable investment products and take into consideration any conflicts which may arise therefrom.

At all times the Investment Manager will ensure that the investment restrictions of the relevant portfolio are not breached as result investing in such associated investment opportunities.

### **Issuer**

Where the Portfolio invests into an investment product that is offered by a distributor of investment products (“Issuer”), such as banks, brokers or collective investment schemes, the investment restrictions of the relevant Portfolio’s will be applied to the investment product as a whole, if it can demonstrate a clear segregation of assets and liabilities. For example such segregation is frequently utilised by fund managers in the operation of protected cell companies and defined funds which contain separate portfolios of assets and which may or may not also be managed by independent investment managers.

## CONTINUING OFFER

The Directors have decided to conduct a Continuing Offer of Shares in each Sub-class in the Portfolio on the following terms:

- Availability of the Continuing Offer:** The Manager intends to offer Shares of each Sub-class for subscription pursuant to the Offering Documents (as amended, supplemented or replaced from time to time) on each Subscription Day at prices based upon the prevailing Net Asset Value per Share of the relevant Sub-class on the most recent Valuation Day. In circumstances where Shares have not yet been issued in respect of a Sub-class the price per Share in that Sub-class will be based on the prevailing Net Asset Value per Share of the GBP Sub-class, adjusted to take account of the applicable rate of exchange.
- Valuation Days:** Generally Wednesday in each week (or the preceding Business Day if this is not a Business Day).
- Valuation Point:** 5.00pm in the Isle of Man on the relevant Valuation Day.
- Subscription Days:** Generally Thursday in each week (or the next following Business Day if this is not a Business Day) and such other or additional Business Days as the Manager shall from time to time in its absolute discretion appoint as a day upon which Shares may be subscribed for.
- Subscription Deadline:** 5 clear Business Days' notice to the Manager prior to the relevant Subscription Day.
- Subscription Price and Pricing Basis:** A price per Share expressed in the currency of the relevant Sub-class and calculated on the basis of the prevailing Net Asset Value per Share of that Sub-class (or, if no Shares of that Sub-class are in issue, the GBP Sub-class) determined on a Single Price Basis in accordance with the Articles and the arrangements described in the Master Offering Document, plus the Initial Charge (the "**Subscription Cost**") in the case of non-International Sub-classes. In the case of the International Sub-classes at the Subscription Price.
- The calculation of the prevailing Net Asset Value for each Sub-class will take into account the benefits and costs of any currency hedging arrangements applicable to that Sub-class.
- Initial Charge:** Other than in respect of International-USD and International-GBP Sub-classes, 5 per cent of the Subscription Cost, which shall be paid to the Investment Manager or at its direction, provided that the Investment Manager may waive or reduce the Initial Charge in its absolute discretion on a case-by-case basis.
- Deferred Sales Charge** In respect of the International-USD and International-GBP Sub-classes, 5 per cent of the Subscription Price, which will be treated as an expense of the International-USD Sub-class or International GBP Sub-class as appropriate and is payable to the Investment Manager or at its discretion, provided that the Investment Manager may waive or reduce the Deferred Sales Charge in its absolute discretion on a case-by case basis. No Deferred Sales Charge is applied when dividends are reinvested.
- Payment for Shares under the Continuing Offer:** Payment in full of the prevailing Subscription Cost per Share or (in respect of the International-USD and International-GBP Sub-classes only) the prevailing Subscription Price per Share in cleared funds will be due in connection with the Continuing Offer by close of business on the last Business Day prior to the relevant Subscription Day.
- Minimum Initial Investment:** An application by an existing Shareholder will not be accepted unless it is for a minimum remitted initial investment to the value of GBP10,000, USD15,000 or EUR12,500 in the appropriate Sub-class..
- Minimum Transaction:** An application by an existing Shareholder will not be accepted unless it is for a remitted investment amount of not less than GBP1,000, USD1,500 or EUR1,250 in the applicable Sub-class.
- Settlement Period:** Contract notes will generally be issued within 5 clear Business Days of the relevant Subscription Day.

Reference should also be made to the provisions of the Master Offering Document relating to the general terms and procedures

## **CONTINUING OFFER**

pertaining to Offers of Shares and the information set out in the section of that document entitled “**Investor Due Diligence**”.

## REDEMPTION AND CONVERSION OF SHARES

The Shares of the Portfolio are redeemable in accordance with the following specific terms:

<b>Redemption of Shares:</b>	Subject to the provisions of the Articles, Shareholders may generally redeem their Shares on any Redemption Day in writing to the Manager at the prices based upon the prevailing Net Asset Value per Share of the relevant Sub-class on the most recent Valuation Day by giving the Minimum Period of Redemption Notice (see below).
<b>Valuation Days for the Portfolio:</b>	Generally Wednesday in each week (or the preceding Business Day if this is not a Business Day).
<b>Valuation Point for the Portfolio:</b>	5.00pm in the Isle of Man on the relevant Valuation Day.
<b>Redemption Days:</b>	Generally Thursday in each week (or the next following Business Day if this is not a Business Day)
<b>Minimum Period of Redemption Notice:</b>	5 clear Business Days' notice to the Manager prior to the relevant Redemption Day.
<b>Redemption Price and Pricing Basis:</b>	A price per Share expressed in the currency of the relevant Sub-class and calculated on the basis of the prevailing Net Asset Value per Share of the Sub-class determined on a Single Price Basis in accordance with the Articles and the arrangements described in the Master Offering Document. As noted above, this calculation will take into account the benefits and costs of any currency hedging arrangements applicable to that Sub-class.
<b>Minimum Holding:</b>	Shares with an aggregate Net Asset Value as at the most recent Valuation Day of GBP10,000, USD15,000 or EUR12,500 in the Portfolio.
<b>Minimum Transaction:</b>	Shares with a Subscription Cost or Subscription Price (as appropriate) of not less than GBP1,000, USD1,500 or EUR1,250 in the relevant Sub-class.
<b>Exit Charge:</b>	<p>Nil in respect of KHG Balanced Fund (GBP), KHG Balanced Fund (USD), KHG Balanced Fund (EUR),</p> <p>Where a Deferred Sales Charge is applied in the International-USD and International-GBP Sub-classes the following Exit Charges will be applied against Redemption Proceeds. The calculation period will be from the date of initial subscription to the end of the relevant year following the initial subscription as follows:</p> <p style="margin-left: 40px;">Year 1 – 5%</p> <p style="margin-left: 40px;">Year 2 - 4%</p> <p style="margin-left: 40px;">Year 3 - 3%</p> <p style="margin-left: 40px;">Year 4 - 2%</p> <p style="margin-left: 40px;">Year 5 - 1%</p> <p>The Exit Charge will be based on the original Subscription Price paid by a Shareholder on investment into the International-USD and International-GBP Sub-classes, and (when it is possible) Shares which have been held for the longest time will be redeemed before Shares which have been held by the same Shareholder for a shorter period.</p> <p>For the purposes of the Fund's accounts, such costs will be written off as incurred and reconciliation to Net Asset Value of the relevant Sub-class will be contained in the accounts.</p> <p>Shareholders who have invested in Shares in an International Sub-class for a period of not less than 5 years will be given the option of redeeming from the relevant International Sub-class into another Sub-class (other than another International Sub-class) without incurring an Exit Penalty. Shareholders who decide to take advantage of this facility are recommended to seek advice from their tax or financial adviser.</p>
<b>Settlement Period:</b>	Redemption proceeds will be paid in cash in the currency of the relevant Sub-

## REDEMPTION AND CONVERSION OF SHARES

class, and contract notes despatched, generally within 5 clear Business Days of the relevant Redemption Day, subject to the delivery of the required written instructions.

**Maximum Permitted Redemption Percentage:**

The Fund is not required to redeem more than 10 per cent of the Shares in issue in the Portfolio on any Redemption Day.

**Conversion of Shares:**

Shares in the Sub-classes may be converted into Shares in Sub-classes which are comprised within other Portfolios on the basis described in the Master Offering Document, save that Shares in a Sub-class to which a Deferred Sales Charge is applied may not be converted to Shares to which no Deferred Sales Charge applies and vice versa until the Shares in the Deferred Sales Sub-class have been held for a period of 5 years.

**Switching Charge:**

Switching is only permitted between Portfolios which have similar Sub-classes e.g **between non-Deferred Sales Charge Sub-classes or between International Sub-classes**. In such instances a 0.5 per cent of the redemption proceeds, that would have been payable had the Shares been redeemed instead, will be paid to the Investment Manager.

Reference should also be made to the provisions of the Master Offering Document relating to the general terms and procedures pertaining to redemptions and conversions of Shares, including in particular the provisions relating to restrictions on redemptions and forced redemptions set out in the section of the Master Offering Document entitled “**Subscriptions, Redemptions and Conversions of Shares**”.

## CHARGES AND EXPENSES

Certain charges and expenses are specific to the Sub-classes within the Portfolio and are summarised as follows:

- Initial Charge:** As described above in the section of this document entitled “**Continuing Offer**”.
- Periodic Management Charge:** Accrues from day-to-day, calculated at each weekly determination of the Net Asset Value and payable to the Manager monthly in arrears at an annualised rate of 0.10 per cent per annum of the most recent determination of the Net Asset Value of all of the relevant Sub-classes in the Portfolio on a Single Price Basis, subject to an annual minimum of GBP62,000 for the year ending 5<sup>th</sup> December 2015 in total for the Fund. The Management Charge will be apportioned to each Sub-class based on its respective Net Asset Value as a proportion of the Net Asset Value of the Fund.
- Periodic Investment Management Charge:** Accrues from day-to-day, calculated at each weekly determination of the Net Asset Value and payable to the Investment Manager monthly in arrears at an annualised rate of 1.50 per cent per annum of the most recent determination of the Net Asset Value of all of the Sub-classes in the Portfolio on a Single Price Basis.
- Where the Investment Manager decides that it is more cost efficient for an Investing Portfolio to invest into a Recipient Portfolio, rather than an external **investment product, the Investment Manager has agreed to** discount its investment management fee
- Custody Fees:** Accrues from day-to-day, calculated at each weekly determination of the Net Asset Value and payable to the Fiduciary Custodian quarterly in arrears at an annualised rate of 0.075 per cent per annum of the most recent determination of the Net Asset Value of all of the Sub-classes in the Portfolio on a Single Price Basis subject to an annual minimum of GBP5,352 that will apply with effect from 1 April 2014. The minimum annual fee is subject to annual adjustment in line with the movement of the Guernsey Retail Price Index which will be reviewed in line with the calendar year end of the Fund.
- Preliminary Expenses:** The assets of the Portfolio have been used to pay, or reimburse to the Investment Manager, certain of the preliminary expenses, as described in the Master Offering Document, and such preliminary expenses will be amortised in the accounts of the Portfolio as described therein and subject to adjustment in certain circumstances.
- The preliminary expenses relating to the establishment of a Sub-class will not be borne by any other Sub-class.
- General Fees and Expenses:** Each of the Sub-classes in the Portfolio will bear the entirety of any additional general operating expenses incurred by the Fund solely for its account, as described in the Master Offering Document. The Sub-classes within the Portfolio will also bear a proportion of those general fees and expenses of the Fund that are not readily attributable to a specific Sub-class or Portfolio of the Fund, as described in the Master Offering Document.
- Deferred Sales Charge** In respect of the International-USD and International-GBP Sub-classes, 5 per cent of the Subscription Price, which will be treated as an expense of the International-USD and International-GBP Sub-classes as appropriate and is payable to the Investment Manager or at its discretion, provided that the Investment Manager may waive or reduce the Deferred Sales Charge in its absolute discretion on a case-by case basis. No Deferred Sales Charge is applied when dividends are reinvested.
- Exit Charge:** Where a Deferred Sales Charge is applied in the International-USD and International-GBP Sub-classes the following Exit Charges will be applied against Redemption Proceeds. The calculation period will be from the date of the initial subscription to the end of the relevant year following the initial subscription as follows:

Year 1 – 5%

## CHARGES AND EXPENSES

Year 2 - 4%

Year 3 - 3%

Year 4 - 2%

Year 5 - 1%

The Exit Charge will be based on the original Subscription Price paid by a Shareholder on investment into the International-USD and International-GBP Sub-classes, and (when it is possible) Shares which have been held for the longest time will be redeemed before Shares which have been held by the same Shareholder for a shorter period..

### **Allocation of fees, charges and expenses between Sub-classes:**

Any fees, charges and expenses that are not attributable to a specific Sub-class within the Portfolio will be allocated between the Sub-classes pro-rata based on their respective Net Asset Value for the time being.

### **Switching charge**

In such instances where Switching is permitted, a 0.5 per cent of the redemption proceeds, that would have been payable had the Shares been redeemed instead, will be paid to the Investment Manager.

Switching is not permitted between Sub-classes within the Portfolio.

Reference should also be made to the section of the Master Offering Document entitled “**Charges and Expenses**”.