

# *Charles Schwab Worldwide Funds plc*

## **Prospectus**

21 December 2007

## **& Supplements**

21 December 2007

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Schwab U.S. Dollar Liquid Assets Fund

An investment company with variable capital constituted as an umbrella fund under the laws of Ireland and authorised by the Irish Financial Services Regulatory Authority pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 and regulated pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

**Manager** Charles Schwab Asset Management (Ireland) Limited

**Investment Manager** Charles Schwab Investment Management, Inc.

REG13956-04

*charles* **SCHWAB**

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# *Important information*

## **This prospectus**

This Prospectus describes Charles Schwab Worldwide Funds plc (the “Company”), an investment company with variable capital incorporated in Ireland as a public limited company. The Company is constituted as an umbrella fund insofar as the share capital of the Company will be divided into different series of Shares with each series of Shares representing a separate investment portfolio of assets (“Fund”). Shares of any Fund may be divided into different classes to accommodate different subscription and/or redemption provisions and/or dividend and/or charges and/or fee arrangements, including different total expense ratios.

The Funds have different investment objectives and invest in different types of transferable securities. Each Fund will invest in accordance with the investment objectives and policies applicable to such Fund as specified in the Relevant Supplement. The Relevant Supplement should be read in conjunction with and construed as one document with this Prospectus. Although each Fund will be treated as bearing its own liabilities, the Company as a whole will remain liable to third parties for all liabilities attributable to the Company rather than an individual Fund.

The Directors accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to materially affect the import of such information. The Directors accept responsibility accordingly.

**This Prospectus is an important document. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

## **Investor responsibility**

Prospective investors should review this Prospectus carefully and in its entirety and consult with legal, tax and financial advisers for independent advice in relation to: (a) the legal requirements within their own countries for the purchase, holding, exchanging, redeeming or disposing of Shares; (b) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, exchanging, redeeming or disposing of Shares; (c) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, exchanging, redeeming or disposing of Shares; and (d) the provisions of this Prospectus and any Relevant Supplement.

The Shares have not been registered under the United States Securities Act of 1933, as amended (the “1933 Act”), or any U.S. state securities laws, and neither the Funds nor the Company has been registered under the United States Investment Company Act of 1940, as amended (the “1940 Act”). Except as otherwise described herein, such Shares may not be offered or sold, directly or indirectly, in the United States or its territories or possessions or to any U.S. Person and such shares may not be held by U.S. Persons. For this purpose, a U.S. Person (a “U.S. Person”) has the meaning set forth under the heading “Definitions” in the Prospectus. Shares will

be offered and sold only to such persons as may be authorised by the Directors and in such manner as will not require registration of the Company, any Fund, or the Shares under the securities laws of the United States or any state thereof.

The Articles of Association of the Company give powers to the Directors to impose restrictions on the shareholdings by (and consequently to redeem shares held by) or the transfer of Shares to any U.S. Person or by any person who appears to be in breach of the laws or requirements of any country or government authority or by any person or persons in circumstances (whether directly or indirectly affecting such person or persons, and whether taken alone or in conjunction with any other persons connected or not, or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Company or any Shareholder incurring liability to taxation or suffering any other pecuniary or regulatory disadvantage which the Company might not otherwise have incurred or suffered.

### **Irish Financial Services Regulatory Authority authorisation—UCITS**

The Company is authorised by the Financial Regulator as an “Undertaking for Collective Investment in Transferable Securities” (“UCITS”) under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 and regulated pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

**The authorisation of the Company by the Financial Regulator shall not constitute a warranty as to the performance of the Company and the Financial Regulator shall not be liable for the performance or default of the Company.**

**Authorisation of the Company by the Financial Regulator is not an endorsement or guarantee of the Company by the Financial Regulator nor is the**

**Financial Regulator responsible for the contents of this Prospectus.**

### **Distribution and selling restrictions**

The distribution of this Prospectus and the offering or purchase of Shares may be restricted in certain jurisdictions. This Prospectus does not constitute and may not be treated as an offer or solicitation by or to anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for Shares pursuant to this Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction.

Shares may not be purchased or held by or for the benefit of U.S. Persons.

### **Stock exchange listing**

An application may be made to The Irish Stock Exchange Limited (“Irish Stock Exchange”) for Shares of any series or class to be admitted to its Official List. This Prospectus, together with the Relevant Supplement, may constitute Listing Particulars for the purpose of any such application for listing. Neither the admission of Shares to the Official List nor the approval of this Prospectus pursuant to the listing requirements of the Irish Stock Exchange constitute a warranty or representation by the Irish Stock Exchange as to the competence of the service providers or any other party connected with the Company, the adequacy of information contained in this Prospectus or the suitability of the Company for investment purposes. The Class A Shares in the Schwab U.S. Dollar Liquid Assets Fund have been admitted to listing on the Irish Stock Exchange.

## Reliance on this prospectus

Shares are offered only on the basis of the information contained in this Prospectus, the Relevant Supplement and, the latest audited annual accounts and any subsequent half-yearly report of the Company. No person has been authorised to give any information or to make any representation in connection with the offering of Shares other than those contained in this Prospectus, the Relevant Supplement and in any subsequent half-yearly or annual report for the Company and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the Manager or the Investment Manager. Statements in this Prospectus are in accordance with the law and practice in force in Ireland at the date hereof and are subject to change. Neither the delivery of this Prospectus nor the issue of Shares shall, under any circumstances, create any implication or constitute any representation that the affairs of the Company have not changed since the date hereof.

This Prospectus may also be translated into other languages. Any such translation shall only contain the same information and have the same meaning as the

English language Prospectus. To the extent that there is any inconsistency between the English language Prospectus and the Prospectus in another language, this English language Prospectus will prevail, except, to the extent (but only to the extent) required by law of any jurisdiction where the Shares are sold, that in an action based upon disclosure in a Prospectus in a language other than English, the language of the Prospectus on which such action is based shall prevail. All disputes as to the contents of this Prospectus shall be governed in accordance with the laws of Ireland.

## Risks

Investment in the Company carries with it a degree of risk. **The value of Shares and the income from them may go down as well as up, and investors may not get back the amount invested.** Investment in the Shares may not be suitable for all investors and should not be considered a complete investment program. Investors should consider carefully their investment objectives and the “Investment risks” section of this Prospectus, and the Relevant Supplement, before selecting any investment.

# Directory

## Charles Schwab Worldwide Funds plc

### Registered Office

**SEI Investments –  
Global Fund Services Limited**  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

### Directors

Kieran McGowan  
Randall W. Merk  
George Pereira  
Peter Sandys

### Manager

**Charles Schwab Asset  
Management (Ireland) Limited**  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

### Investment Manager

**Charles Schwab  
Investment Management, Inc.**  
The Schwab Building  
101 Montgomery Street  
San Francisco, CA 94104  
United States

### Sponsoring Irish Stock Exchange Broker

**Davy Stockbrokers**  
Davy House  
49 Dawson Street  
Dublin 2  
Ireland

### Auditors

**Deloitte & Touche**  
Deloitte & Touche House  
Earlsfort Terrace  
Dublin 2  
Ireland

### Hong Kong Representative

**Charles Schwab, Hong Kong, Ltd.**  
Shop A&C  
Ground Floor  
Hong Kong Club Building  
3A Chater Road  
Hong Kong.

### Custodian

**Brown Brothers Harriman  
Trustee Services (Ireland) Limited**  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

### Administrator, Transfer Agent and Registrar

**SEI Investments –  
Global Fund Services Limited**  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

### United Kingdom Facilities Agent

Charles Schwab, U.K., Limited  
10 King William Street  
London EC4N 7TW  
United Kingdom

### Legal Advisers

**Matheson Ormsby Prentice**  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### Dechert LLP

1775 Eye Street, NW  
Washington, DC 20006-2401  
United States

### Linklaters

10th Floor  
Alexandra House, Chater Road  
Hong Kong

### Linklaters

One Silk Street  
London EC2Y 8HQ  
England

## Definitions

**Administrator** SEI Investments – Global Fund Services Limited;

**Articles** the Articles of Association of the Company for the time being in force and as may be modified from time to time;

**Business Day** shall have such meaning as shall be specified in the Relevant Supplement;

**Class Expenses** any expenses attributable to a specific class of Shares including legal fees, marketing expenses and the expenses of registering a class of shares in any jurisdiction or with any stock exchange, regulated market or settlement system and such other expenses arising from such registration and such further expenses howsoever arising as may be disclosed in the Relevant Supplement;

**Company** Charles Schwab Worldwide Funds plc;

**Custodian** Brown Brothers Harriman Trustee Services (Ireland) Limited;

**Declaration** a valid declaration in a form prescribed by the Irish Revenue Commissioners for the purposes of Section 739D TCA 1997 (as may be amended from time to time);

**Directors** the Directors of the Company for the time being and any duly constituted committee thereof;

**Duties and Charges** all stamp duties and other duties, taxes, governmental charges, imposts, levies, exchange costs and commissions, transfer fees and expenses, agents' fees, brokerage fees, commissions, bank charges, registration fees and other duties and charges, whether payable in respect of the constitution, increase or reduction of all of the cash and other assets of the Company or the creation, acquisition, issue, conversion, exchange, purchase, holding, repurchase, redemption, sale or transfer of Shares or Investments by or on behalf of the Company or in respect of the issue or cancellation of Share Certificates or otherwise which may have become or will

become payable in respect of or prior to or upon the occasion of any transaction, dealing or valuation;

**EU Member State** means a member state of the European Union from time to time;

**Exempt Investor** any of the following Irish Residents:

(i) the Manager, for so long as the Manager is a qualified management company as referred to in Section 739B TCA 1997; (ii) a specified collective investment undertaking as referred to Section 739B; (iii) a company carrying on life business within the meaning of Section 706 TCA 1997; (iv) a pension scheme as referred to in Section 739B; (v) any other investment undertaking as referred to in Section 739B; (vi) a special investment scheme as referred to in Section 739B; (vii) a unit trust of a type referred to in Section 739D(6)(e) TCA 1997; (viii) a person who is entitled to exemption from income or corporation tax by virtue of Section 207(1)(b) TCA 1997 or entitled to exemption from corporation tax under Section 207(1)(b) TCA 1997 as it applies to corporation tax under Section 76(6) TCA 1997; (ix) a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 784A(2) TCA 1997 in circumstances where the Shares held are assets of an approved retirement fund, an approved minimum retirement fund or a special savings incentive account; (x) a specified company as referred to in Section 739B; (xi) a credit union as referred to in Section 739B; (xii) the Courts Service as referred to in Section 739B; (xiii) a company that satisfies the conditions of Section 739D(6)(k) TCA 1997; (xiv) a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 787I TCA 1997; or (xv) any other person resident in Ireland who is permitted to own Shares under Irish taxation legislation or by practice or concession of the Revenue Commissioners without requiring the Company to

deduct appropriate tax in respect of any payment to a Shareholder or the transfer by a Shareholder of any Shares and in respect of whom the Company is in possession of a Declaration.

**Financial Regulator** the Irish Financial Services Regulatory Authority;

**Fund** a portfolio of assets established by the Directors (with the prior approval of the Custodian and the Financial Regulator) and constituting a separate fund represented by a separate series of Shares and invested in accordance with the investment objective and policies applicable to such Fund as specified in the Relevant Supplement;

**Hong Kong Representative** Charles Schwab, Hong Kong, Ltd.;

**Investment Manager** Charles Schwab Investment Management, Inc.;

**Irish Resident** any company resident, or other person resident or ordinarily resident, in the Republic of Ireland for the purposes of Irish tax. Please see the “Taxation” section below for the summary of the concepts of residence and ordinary residence issued by the Irish Revenue Commissioners;

**Irish Stock Exchange** the Irish Stock Exchange Limited;

**Manager** Charles Schwab Asset Management (Ireland) Limited;

**Net Asset Value** the net asset value of a Fund calculated as described in the “Determination of Net Asset Value” section of this Prospectus;

**Net Asset Value per Share** in relation to any Fund, the Net Asset Value divided by the number of Shares in the relevant Fund in issue or deemed to be in issue in respect of that Fund as of the relevant Valuation Point and, in relation to any class of Shares, subject to such adjustments, if any, as may be required in relation to such class;

**Prospectus** this document and any Supplement designed to be read and construed together with and to form part of this document;

**Recognised Market** any recognised exchange or market listed or referred in the Articles in accordance with the requirements of the Financial Regulator which does not issue a list of approved markets. The Recognised Markets in which each Fund may invest will be listed in the Relevant Supplement;

**Relevant Supplement** in relation to a Fund, the Supplement published in respect of that Fund;

**Section 739B** Section 739B of TCA 1997;

**Share or Shares** a share or shares of whatsoever series or class in the capital of the Company (other than Subscriber Shares) entitling the holders to participate in the profits of the Company attributable to the relevant Fund as described in this Prospectus and the Relevant Supplement;

**Shareholder** a person registered in the share register of members of the Company as a holder of Shares;

**Subscriber Shares** the initial issued share capital of 30,000 subscriber shares of no par value issued at EUR1.269738 each and initially designated as “Subscriber Shares” and which are held by the Manager and its nominees but which do not entitle the holders to participate in the profits of the Company attributable to any Fund;

**Subscriber Shareholder or Subscriber Shareholders** a person/persons registered in the register of members of the Company as a holder or holders of Subscriber Shares;

**Supplement** a document which contains specific information supplemental to this document in relation to a particular Fund;

**TCA 1997** the Taxes Consolidation Act, 1997;

**U.S. or United States** the United States of America, its territories and possessions including the States and the District of Columbia;

**United States Person or U.S. Person** (i) any natural person resident in the United States; (ii) any corporation organised under U.S. law; (iii) any partnership organised or existing in any state, territory or possession of the United States; (iv) any estate or trust the income of which is subject to U.S. income tax, regardless of source; and (v) any pension plan for the employees, officers or principals of an entity organised or having its principal place of business in the United States. Notwithstanding the foregoing, any entity organised principally for the purpose of passive investment (such as a pool, investment company or similar entity) shall be deemed to be a U.S. Person unless less than 10% in the aggregate of the beneficial interest in the entity is held by or on behalf of U.S. Persons and the entity was not formed principally for the purpose of facilitating investment by U.S. Persons in a pool with respect to which the pool operator is exempt from certain requirements of Part 4 of the Commodity Futures Trading Commission's regulations by virtue of the pool's participants being non-U.S. Persons;

**UCITS** an undertaking for collective investment in transferable securities within the meaning of the UCITS Regulations;

**UCITS Notices** the notices issued by the Financial Regulator pursuant to the UCITS Regulations;

**UCITS Regulations** the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (S.I. 211 of 2003) (and any amendment thereto for the time being in force) and all applicable regulations made or conditions imposed or derogations granted thereunder by the Financial Regulator; and

**Valuation Point** the time at which the Net Asset Value of a Fund is determined which shall be specified in the Relevant Supplement.

## *The Company*

The Company is an investment company with variable capital incorporated in Ireland on 8 February 1999 under registration number 300943 and authorised by the Financial Regulator as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 and regulated pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended. The object of the Company, as set out in Clause 2 of its Memorandum and Articles of Association, is the collective investment in transferable securities and other liquid financial assets of capital raised from the public operating on the principle of risk spreading in accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (S.I. No. 211 of 2003) (as may be amended or supplemented from time to time). All holders of Shares are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Memorandum and Articles of Association of Company, copies of which are available as described in the "Documents for inspection" section of this Prospectus.

The Company has been structured as an umbrella fund in that the Directors may from time to time, with the prior approval of the Financial Regulator, issue different series of Shares representing separate portfolios of assets. The assets of each Fund will be invested in accordance with the investment objective and policies applicable to such Fund as disclosed in the Relevant Supplement, which should be read in conjunction with and construed as supplemental to this Prospectus. Although each Fund will be treated as bearing its own liabilities, the Company as a whole will remain liable to third parties for all of the liabilities of the Company.

Under the Articles, the Directors are required to establish a separate Fund, with separate records, for each series of Shares in the following manner:

- (a) the Company will keep separate books of account for each Fund. The proceeds from the issue of each series of Shares will be applied to the Fund established for that series of Shares, and the assets and liabilities and income and expenditure attributable thereto will be applied to such Fund;
- (b) any asset derived from another asset in a Fund will be applied to the same Fund as the asset from which it was derived and any increase or diminution in value of such an asset will be applied to the relevant Fund;
- (c) in the case of any asset which the Directors do not consider as readily attributable to a particular Fund or Funds, the Directors have the discretion to determine, with the consent of the Custodian, the basis upon which any such asset will be allocated between Funds and the Directors may at any time and from time to time vary such basis;
- (d) any liability will be allocated to the Fund or Funds to which in the opinion of the Directors it relates or if such liability is not readily attributable to any particular Fund the Directors will have discretion to determine, with the consent of the Custodian, the basis upon which any liability will be allocated between Funds and the Directors may at any time and from time to time vary such basis;
- (e) the Directors may, with the consent of the Custodian, transfer any assets to and from Fund or Funds if, as a result of a creditor proceeding against certain of the assets of the Company or otherwise, a liability would be borne in a different manner from that in which it would

have been borne under paragraph (d) above or in any similar circumstances; and

- (f) where the assets of the Company (if any) attributable to the Subscriber Shares give rise to any net profit, the Directors may allocate assets representing such net profits to such Fund or Funds as they may deem appropriate.

Shares of any particular series may be divided into different classes to accommodate different subscription and/or redemption provisions and/or dividend and/or charges and/or fee arrangements, including different total expense ratios. The Company retains the right to offer only one class of Shares for purchase by investors in any particular jurisdiction in order to conform with local law, custom or business practice or to offer additional classes of Shares or Funds in future without Shareholder approval. The Company may adopt standards applicable to classes of investors or transactions that permit or require the purchase of a particular class of Shares. Any such standards shall be specified in the Relevant Supplement.

### **The share capital**

The authorised share capital of the Company is 500,000,030,000 Shares of no par value divided into 30,000 Subscriber Shares of no par value and 500,000,000,000 Shares of no par value. For the period of five years from the date of incorporation, the Directors are empowered to issue up to 500,000,000,000 Shares of no par value in the Company on such terms as they think fit. On the expiry of five years, the Directors' authority to issue Shares may be renewed by the Shareholders in general meeting successively for further periods each of which must not exceed five years.

In order to comply with the minimum capitalisation requirements of the Irish Companies (Amendment) Act, 1983 and to receive a certificate to commence business pursuant thereto, the Company issued 30,000 Subscriber Shares of no par value at EUR1.269738

each to the Manager and its nominees. All but seven of the Subscriber Shares may be redeemed by the Company at a price of EUR1.269738 per Share on any Business Day.

The Subscriber Shares entitle the holders to attend and vote at general meetings of the Company but do not entitle the holders to participate in the profits or assets of the Company except for a return of capital on a winding-up. The Shares entitle the holders to attend and vote at general meetings of the Company and to participate equally (subject to any differences between fees, charges and expenses applicable to different classes of Shares) in the profits and assets of the Company on the terms and conditions set out in the Relevant Supplement. The Subscriber Shareholders shall have one vote for each Subscriber Share held. There are no pre-emption rights attaching to Shares. The Company may, from time to time by ordinary resolution increase its capital, consolidate the Shares or any of them into a smaller number of Shares, subdivide the Shares or any of them into a larger number of Shares or cancel any Shares not taken or agreed to be taken by any person. The Company may by special resolution from time to time reduce its share capital in any way permitted by law.

### **Voting rights**

Subject to any special rights or restrictions for the time being attached to any class of Shares, each Shareholder shall be entitled to such number of votes as shall be produced by dividing the aggregate net asset value of that Shareholder's shareholding (expressed or converted into U.S. dollars and calculated as of the relevant record date) by one, provided however that fractional Shares shall not carry any voting rights. The "relevant record date" for these purposes shall be a date being not more than thirty

days prior to the date of the relevant general meeting or written resolution as determined by the Directors. In relation to a resolution which in the opinion of the Directors gives or may give rise to a conflict of interest between the Shareholders of any series or class, such resolution shall be deemed to have been duly passed only if, in lieu of being passed through a single meeting of the Shareholders of such series or class, such resolution shall have been passed at a separate meeting of the Shareholders of each such series or classes.

All votes shall be cast by a poll of Shareholders present in person or by proxy at the relevant Shareholder meeting or by unanimous written resolution of the Shareholders.

### **Variation of Shareholders' rights**

Under the Articles, the rights attached to each series or class of Share may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three fourths of the issued Shares of that series or class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that series or class. The rights attaching to any series or class of Shares shall not be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with Shares already in issue, unless otherwise expressly provided by the terms of issue of those Shares. The provisions of the Articles relating to general meetings shall apply to every separate general meeting except that the necessary quorum at such a meeting shall be two persons present in person or by proxy holding Shares of the series or class in question or, at an adjourned meeting, one person holding Shares, of the series or class in question or his proxy.

# *Investment objectives and policies*

The Company has been established for the purpose of investing in transferable securities in accordance with the UCITS Regulations. The investment objectives and policies for each Fund, and investment restrictions in relation thereto, will be formulated by the Directors at the time of creation of each Fund and will be set out in the Relevant Supplement.

The assets of each Fund will be invested in accordance with the investment restrictions contained in the UCITS Regulations and such additional investment restrictions, if any, as may be adopted by the Directors for any Fund and specified in the Relevant Supplement. References below to a Fund means the Company acting for the account of the relevant Fund. The principal investment restrictions applying to each Fund under the UCITS Regulations are as follows:

## **1 Permitted Investments**

Investments of a Fund are confined to:

- (a) transferable securities and money market instruments which are either admitted to official listing on a Recognised Market in an EU Member State or non-EU Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in an EU Member State or non-EU Member State.
- (b) recently issued transferable securities which will be admitted to official listing on a Recognised Market within a year.
- (c) money market instruments, as defined in the UCITS Notices, other than those dealt on a Regulated Market.
- (d) units of UCITS.
- (e) units of non-UCITS as set out in the Financial Regulator's Guidance Note 2/03.
- (f) deposits with credit institutions as prescribed in the UCITS Notices.
- (g) FDI as prescribed in the UCITS Notices.

## **2 Investment Restrictions**

- (a) A Fund may invest no more than 10% of net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
- (b) A Fund may invest no more than 10% of net assets in recently issued transferable securities which will be admitted to official listing on a Recognised Market within a year. This restriction will not apply in relation to investment by a Fund in certain US securities known as Rule 144A securities provided that:
  - (i) the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and
  - (ii) the securities are not illiquid securities i.e. they may be realised by the Fund within seven days at the price, or approximately at the price, at which they are valued by the Fund.
- (c) A Fund may invest no more than 10% of net assets in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% is less than 40%.
- (d) The limit of 10% in (c) above is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by an EU Member State or its local authorities or by a non-EU Member State or public

international body of which one or more EU Member States are members.

- (e) The transferable securities and money market instruments referred to in (d) above shall not be taken into account for the purpose of applying the limit of 40% referred to in (c) above.
- (f) A Fund may not invest more than 20% of net assets in deposits made with the same credit institution. Deposits with any one credit institution, other than (i) a credit institution authorised in the European Economic Area (the “EEA”) (EU Member States, Norway, Iceland, Liechtenstein), (ii) a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States of America) or (iii) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand, held as ancillary liquidity, must not exceed 10% of net assets. This limit may be raised to 20% in the case of deposits made with the Custodian.
- (g) The risk exposure of the Fund to a counterparty to an over-the-counter (“OTC”) derivative may not exceed 5% of net assets. This limit is raised to 10% in the case of (i) a credit institution authorised in the EEA, (ii) a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or (iii) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.
- (h) Notwithstanding paragraphs (c), (f) and (g) above, a combination of two or more of the following issued by, or made or undertaken with, the same body may not exceed 20% of net assets:
- investments in transferable securities or money market instruments;
  - deposits, and/or
  - risk exposures arising from OTC derivatives transactions.
- (i) The limits referred to in (c), (d), (f), (g) and (h) above may not be combined, so that exposure to a single body shall not exceed 35% of net assets.
- (j) Group companies are regarded as a single issuer for the purposes of (c), (d), (f), (g) and (h) above. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.
- (k) A Fund may invest up to 100% of net assets in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, non-EU Member States or public international bodies of which one or more EU Member States are members, as may be drawn from the following list:
- OECD Governments
  - European Investment Bank
  - European Bank for Reconstruction and Development
  - International Finance Corporation
  - International Monetary Fund
  - Euratom
  - The Asian Development Bank
  - Council of Europe
  - Eurofima
  - African Development Bank
  - International Bank for Reconstruction and Development (The World Bank)
  - The Inter American Development Bank
- (h) Notwithstanding paragraphs (c), (f) and (g) above, a combination of two or more of the following issued by, or made or under-

European Union  
European Central Bank  
Federal National Mortgage Association  
(Fannie Mae)  
Federal Home Loan Mortgage Corporation  
(Freddie Mac)  
Government National Mortgage Association  
(Ginnie Mae)  
Student Loan Marketing Association (Sallie  
Mae)  
Federal Home Loan Bank,  
Federal Farm Credit Bank  
Tennessee Valley Authority

A Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of its net assets.

### 3 Investment in CIS

- (a) A Fund may not invest more than 20% of net assets in any one CIS.
- (b) Investment in non-UCITS may not, in aggregate, exceed 30% of net assets.
- (c) A Fund may only invest in CIS which are prohibited from investing more than 10% of their net assets in other CIS.
- (d) When a Fund invests in the units of other CIS that are managed, directly or by delegation, by the Manager or by any company with which the Manager is linked by common management or control, or by a substantial direct or indirect holding, the Manager or other company may not charge subscription, conversion or redemption fees on account of the Fund's investment in the units of such other CIS.
- (e) Where a commission (including a rebated commission) is received by the Manager or Investment Manager by virtue of an investment in the units of another CIS, the

commission must be paid into the property of the Fund.

### 4 General Provisions

- (a) The Manager acting in connection with all of the CIS which it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
- (b) A Fund may acquire no more than:
  - (i) 10% of the non-voting shares of any single issuing body;
  - (ii) 10% of the debt securities of any single issuing body;
  - (iii) 25% of the units of any single CIS;
  - (iv) 10% of the money market instruments of any single issuing body.

NOTE: The limits laid down in (ii), (iii) and (iv) above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.

- (c) The provisions of (a) and (b) above shall not be applicable to:
  - (i) transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
  - (ii) transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
  - (iii) transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;
  - (iv) shares held by a Fund in the capital of a company incorporated in a non-EU

Member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that non-EU Member State, where under the legislation of that non-EU Member State such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that non-EU Member State. This waiver is applicable only if in its investment policies the company from the non-EU Member State complies with the limits laid down in 2 (c) to (j), 3 (a) and (b) and 4 (a),(b),(d),(e) and (f) and provided that where these limits are exceeded, paragraphs (e) and (f) below are observed; and

- (v) shares held by a Fund in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of Shares at Shareholders' request exclusively on their behalf.
- (d) A Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of its assets.
- (e) The Financial Regulator may allow a recently authorised Fund to derogate from the provisions of 2 (c) to (k) and 3(a) to (b) for six months following the date of its authorisation, provided that it observes the principle of risk spreading.
- (f) If the limits laid down herein are exceeded for reasons beyond the control of a Fund, or as a result of the exercise of subscription

rights, the Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its Shareholders.

- (g) Neither the Manager nor the Custodian acting on behalf of a Fund may carry out uncovered sales of:
  - (i) transferable securities;
  - (ii) money market instruments
  - (iii) units of CIS; or
  - (iv) financial derivative instruments.
- (h) A Fund may hold ancillary liquid assets.

## 5 FDI

- (a) A Fund's global exposure (as prescribed in the UCITS Notices) relating to FDI must not exceed its total net asset value.
- (b) Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the UCITS Notices. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the UCITS Notices.)
- (c) A Fund may invest in FDI dealt in over-the-counter ("OTC") provided that the counterparties to over-the-counter transactions (OTCs) are institutions subject to prudential supervision and belonging to categories approved by the Financial Regulator.
- (d) Investment in FDI is subject to the conditions and limits laid down by the Financial Regulator.

## 6 Further Restrictions

- (a) A Fund may not acquire either precious metals or certificates representing them, but may invest in securities issued by an issuer whose main business is concerned with precious metals.
- (b) A Fund may not invest more than 5% of its net assets in warrants.
- (c) A Fund may not make any loan or act as a guarantor on behalf of third parties provided that, for the purpose of this restriction, the making of deposits, the acquisition of bonds, debentures, debenture stock, notes, commercial paper, certificates of deposit, time deposits, bankers' acceptances, money market instruments or other debt instruments, securities or obligations permitted by the UCITS Regulations, or the acquisition of transferable securities which are not fully paid, shall not be deemed to constitute the making of a loan.
- (d) A Fund may not borrow money except as follows:
  - (i) foreign currency may be acquired by means of a back-to-back loan (i.e. borrowing one currency against a deposit of an equivalent amount of another currency), provided that where foreign currency borrowings exceed the value of the back-to-back deposit any excess shall be regarded as borrowing and is therefore aggregated with other borrowings for the purposes of the 10% limit referred to below, and
  - (ii) a Fund may incur temporary borrowings in an amount not exceeding 10% of the net assets of the Fund. Reverse repurchase agreements are treated as borrowings for these purposes and,

accordingly, the aggregate amount of outstanding borrowings and reverse repurchase agreements may not exceed 10% of the net assets of the Fund. The Custodian may give a charge over the assets of a Fund in order to secure borrowings.

The investment restrictions listed above apply at the time of purchase of the relevant investments. If these limits are exceeded with respect to a Fund for reasons beyond the control of the Manager or as a result of subscription rights, the Manager shall adopt as a priority objective for the sales transactions of the relevant Fund the remedying of that situation, taking due account of the interests of its Shareholders.

Any Fund which proposes to invest in FDI as part of its investment policy or for efficient portfolio management purposes shall submit a risk management process to the Financial Regulator for review in advance of any such investment and shall set out in the relevant Supplement (a) a statement drawing attention to this policy; (b) confirmation whether the FDI will be used for investment or efficient portfolio management purposes; (c) the types of FDI in which it is intended to invest; and (d) an explanation of the expected effect of these transactions on the risk profile of the relevant Fund. Any Fund which intends to invest principally in FDI will include in the relevant Supplement a prominent statement to such effect.

Without limitation, the Directors, in accordance with the requirements of the Financial Regulator, may adopt additional investment restrictions to facilitate the distribution of Shares to the public in a particular jurisdiction. In addition, the investment restrictions set out above may be changed from time to time by the Directors in accordance with a change in the applicable law and regulations in any jurisdiction in which Shares are currently offered, provided that the

assets of the Fund, at all times, will be invested in accordance with the restrictions on investments set out in the UCITS Regulations. In the event of any such addition to, or change in, the investment restrictions applicable to a Fund, a reasonable notification period will be provided by the Company to enable Shareholders to redeem their Shares prior to implementation of these changes. The Company will not amend such investment restrictions except in accordance with the requirements of the Financial Regulator and of the Irish Stock Exchange for as long as the Shares are listed on the Irish Stock Exchange.

## *Use of Financial Derivative Instruments and Fund Investment Techniques*

The use of FDI (including without limitation, futures and options, swaps, exchange traded stock index contracts and contracts for differences) is permitted for efficient portfolio management purposes, subject to the general restrictions outlined under “Investment Restrictions” in the “Investment Objectives and Policies” section above. The Fund may also employ fund investment techniques for efficient portfolio management of the assets of any Fund within the limits stipulated by the Financial Regulator under the UCITS Regulations and described below. The Company may not leverage a Fund through the use of FDI, ie, the total exposure of a Fund, including but not limited to, its exposure from the use of any FDI, must not exceed the total net assets of the Fund.

### **Use of repurchase/reverse repurchase agreements**

A Fund may enter into repurchase agreements under which it acquires securities from a seller (for example,

a bank or securities dealer) who agrees, at the time of sale, to repurchase the security at a mutually agreed-upon date (usually not more than seven days from the date of purchase) and price, thereby determining the yield to the Fund during the term of the repurchase agreement. The resale price reflects the purchase price plus an agreed upon market rate of interest which is unrelated to the coupon rate or maturity of the purchased security. The Fund may enter into reverse repurchase agreements under which it sells a security and agrees to repurchase it at a mutually agreed upon date and price. An investment by a Fund in repurchase and reverse repurchase agreements shall be subject to the conditions and limits set out in the UCITS Regulations.

Subject to the UCITS Regulations, a Fund may enter into repurchase agreements and reverse repurchase agreements (“repo contracts”) only in accordance with normal market practice and provided that collateral obtained under the repo contract is in the form of (i) cash; (ii) government or other public securities; (iii) certificates of deposit issued by a credit institution, authorised in the European Economic Area (EEA) (European Union Member States, Norway, Iceland, Liechtenstein) or a credit institution authorised within a signatory state, other than a Member State of the EEA, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States) (“Relevant Institutions”) (iv) bonds/commercial paper issued by Relevant Institutions; (v) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by Relevant Institutions; (vi) DBV’s (deliveries by value) within the Crest Clearing System, or comparable Central Securities Depositories Systems instruments, provided that they are subject to a concentration limit; the subject securities fall into one of the categories listed under (ii) to (v) above, or the securities are a constituent part of a recognised index

such as the FTSE 100; and the subject securities are consistent with the investment objectives and policies of the relevant Fund. A Fund may only enter into repo contracts with counterparties which are rated A/2 or equivalent or must be deemed by the Fund to have an implied rating of A2. Alternatively, an unrated counterparty is acceptable where the Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which maintains a rating of A2.

Until the expiry of a repo contract, collateral obtained must: (a) be marked to market daily; (b) equal or exceed, in value, at all times, the value of the amount invested or securities loaned; (c) be transferred to the Custodian, or its agent; and (d) be immediately available to the Fund without recourse to the counterparty in the event of default by the counterparty. Non-cash collateral (i) cannot be sold or pledged; (ii) must be held at the credit risk of the counterparty; and (iii) must be issued by an entity independent of a counterparty.

Cash received as collateral may only be invested in the following:

- deposits, with Relevant Institutions, which are capable of being withdrawn within five working days or such shorter time as may be dictated by the repo contract. The holding of cash on deposit is subject to paragraph (e) under the heading “Investment Restrictions” above. Cash may not be held on deposit with the counterparty or with a related institution;
- government or other public securities;
- certificates of deposit as set out above;
- letters of credit as set out above;
- repurchase agreements subject to the provisions herein; and
- daily dealing money market funds which have and maintain a rating of AAA or equivalent. If

investments are made in a linked fund, no subscription, conversion or redemption charge can be made by the underlying money market fund.

Invested cash collateral held at the credit risk of the Fund, other than cash collateral invested in government or other public securities or money market funds, must be diversified so that no more than 20% of the collateral is invested in the securities of, or placed on deposit with, one institution. Invested cash collateral may not be placed on deposit with, or invested in securities issued by the counterparty or a related entity.

Repo contracts do not constitute borrowing or lending for the purposes of the UCITS Regulations.

### **Mortgage dollar roll transactions**

A Fund may enter into mortgage dollar roll transactions which are transactions in which mortgage-backed securities are sold for delivery in the current month and the seller simultaneously contracts to repurchase substantially similar securities on a specified future date. The difference between the sale price and the purchase price (plus any interest earned on the cash proceeds of the sale) is netted against the interest income foregone on the securities sold to arrive at an implied borrowing rate. Alternatively, the sale and purchase transactions can be executed at the same time, with the Fund being paid a fee as consideration for entering into the commitment to purchase. Mortgage dollar rolls may be renewed prior to cash settlement and initially may involve only a firm commitment agreement by the Fund to buy a security. If the broker-dealer to whom the Fund sells the security becomes insolvent, the Fund’s right to repurchase the security may be restricted. Other risks involved in entering into mortgage dollar rolls include the risk that the value of the security may change adversely over the term of the mortgage dollar roll and that the security the Fund is required to repurchase may be worth less than the security that

the Fund originally held. To avoid any leveraging concerns, the Fund will place U.S. government or other liquid securities in a segregated account in an amount sufficient to cover its repurchase obligation. The Fund's use of mortgage dollar rolls will be subject to the same conditions and restrictions as those applicable to repurchase agreements which are set out in the Prospectus.

### **Sale-buybacks**

A Fund also may effect simultaneous purchase and sale transactions that are known as "sale-buybacks." A sale-buyback is similar to a reverse repurchase agreement, except that in a sale-buyback, the counterparty who purchases the security is entitled to receive any principal or interest payments made on the underlying security pending settlement of the Fund's repurchase of the underlying security. To avoid any leveraging concerns, the Fund will place U.S. government or other liquid securities in a segregated account in an amount sufficient to cover its repurchase obligation. The Fund's use of sale-buybacks will be subject to the same conditions and restrictions as those applicable to repurchase agreements which are set out in the Prospectus.

### **Lending of Fund securities**

A Fund may lend its securities to brokers, dealers and other financial organisations in accordance with normal market practice, which brokers, dealers and other financial institutions have a minimum credit rating of A2/P2 or equivalent or deemed by the Company to have an implied rating of A2/P2 or with an unrated counterparty where a Fund indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2/P2 or better.

Collateral obtained under such contracts or transactions must be in the form of (i) cash; (ii) government or other public securities; (iii) certificates of deposit

issued by Relevant Institutions (iv) bonds/commercial paper issued by Relevant Institutions; (v) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and are issued by Relevant Institutions; (vi) DBV's (deliveries by value) within the Crest Clearing System, or comparable Central Securities Depositories Systems instruments, provided that they are subject to a concentration limit; the subject securities fall into one of the categories listed under (ii) to (v) above, or the securities are a constituent part of a recognised index such as the FTSE 100; and the subject securities are consistent with the investment objectives and policies of the relevant Fund.

Cash received as collateral may only be invested in (i) deposits which are capable of being withdrawn within five working days, or such shorter time as may be dictated by the contract (the holding of cash on deposit is subject to investment restriction (e) in the section entitled "Investment Restrictions" above and cash may not be held on deposit with the counterparty or with a related institution), (ii) government or other public securities, (iii) certificates of deposit issued by Relevant Institutions, (iv) letters of credit with a residual maturity of three months or less which are unconditional and irrevocable and which are issued by Relevant Institutions, and (v), daily dealing money market funds which have and maintain a rating of Aaa or equivalent provided that if investment is made in a fund managed by a company linked to the Investment Manager by common management and control or a direct or indirect link no subscription or redemption charge may be charged by the underlying money market fund. Investments in these daily money market funds are not subject to diversification requirements. Non-cash collateral cannot be sold or pledged, must be marked to market daily, must be issued by an entity independent of the counterparty and must be diversified such that the Fund does not have an exposure to the securities of any one issuer which would breach the

investment restrictions as set out in the UCITS Regulations. Where appropriate, the credit quality of the non-cash collateral must be consistent with the investment objectives and policies of the Fund.

Notwithstanding any of the above, a Fund may enter into stock lending programmes organised by generally recognised Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.

Any interest or dividends paid on securities which are the subject of such securities lending agreements shall accrue to the Company for the benefit of the relevant Fund.

In addition, a Fund must have the right at any time to terminate any securities lending agreement entered into by it, and to demand the return of any or all securities lent within five Business Days or such other period observed as normal market practice.

Until the expiry of the stock lending transactions, the collateral obtained under such contract or transaction (i) must equal or exceed, in value at all times the value of securities loaned by a Fund and (ii) must be transferred to the Custodian or its agent; (iii) must be held at the credit risk of the counterparty; and (iv) must be immediately available to a Fund, without recourse to the counterparty, in the event of a default of that counterparty.

Stock lending transactions do not constitute borrowing or lending for the purposes of the UCITS Regulations.

### **When-issued and forward commitment securities**

A Fund may purchase securities on a “when-issued” basis and may purchase or sell securities on a “forward commitment” basis. The price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-

issued securities and forward commitments may be sold prior to the settlement date, but a Fund will usually enter into when-issued and forward commitments only with the intention of actually receiving or delivering the securities or to avoid currency risk, as the case may be. No income accrues on securities which have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery of the securities. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, the Fund may incur a gain or loss.

### **Currency transactions**

Each Fund is permitted to invest in securities denominated in a currency other than the base currency of the Fund and may purchase currencies to meet settlement requirements. In addition, subject to the restrictions imposed by the UCITS Regulations, each Fund may enter into various currency transactions, ie, forward foreign currency contracts, currency swaps or foreign currency to protect against uncertainty in future exchange rates. Forward foreign currency contracts are agreements to exchange one currency for another—for example, to exchange a certain amount of Sterling for a certain amount of Euro—at a future date. The date (which may be any agreed-upon fixed number of days in the future), the amount of currency to be exchanged and the price at which the exchange will take place are negotiated and fixed for the term of the contract at the time that the contract is entered into. Under the UCITS Regulations, uncovered positions in currency derivatives are not permitted.

Currency transactions undertaken to alter the currency exposure characteristics of transferable securities held by a Fund through the purchase or sale of currencies other than the currency of denomination of the Fund or the relevant transferable securities

must not be speculative in nature ie, they must not constitute an investment in their own right. To the extent that such currency transactions alter the currency characteristics of transferable securities of a Fund, they must be fully covered by the cash flows of the transferable securities held by the Fund, including any income therefrom. A Fund may not be leveraged or geared in any way through the use of currency transactions.

Currency transactions which alter currency exposure characteristics of transferable securities held by a Fund may only be undertaken for the purposes of a reduction in risk, a reduction in costs and/or an increase in capital or income returns to the Fund. Any such currency transactions must be used in accordance with the investment objective of the Fund and must be deemed by the Investment Manager to be economically appropriate.

A Fund may “cross-hedge” one foreign currency exposure by selling a related foreign currency into the base currency of that Fund. Also, in emerging or developing markets, local currencies are often expressed as a basket of major market currencies such as the US Dollar or Japanese Yen. A Fund may hedge out the exposure to currencies other than its base currency in the basket by selling a weighted average of those currencies forward into the base currency.

### **Credit default swaps**

A Fund may enter into credit default swaps. A credit default swap is a bilateral financial contract under which the protection buyer pays a fee, usually expressed in basis points per annum on the notional amount, in return for a payment by the protection seller contingent on the occurrence of a credit event, such as a bankruptcy, default, or restructuring, with respect to a referenced entity. The credit events and

applicable settlement mechanism used to determine the contingent payment are negotiated between the counterparties at time of trading. Once the credit event has been declared, the protection buyer has the right to settle the contract. Settlement is usually physical, with the protection buyer having the right to deliver bonds of the reference entity up to the notional amount of the contract. In return, the protection buyer receives the par value of *those* obligations. Selling protection is the synthetic equivalent of buying a bond or alternative form of debt. Buying protection is the equivalent of synthetically shorting or hedging a bond or other credit exposure. The use of credit default swap contracts is restricted to the extent that the benefits to the Fund mirror that which could be obtained by direct investment in the underlying instruments and that the swaps do not expose the Fund to risks which it would not otherwise assume (other than the exposure to the credit default swap counterparty). In addition, the exposures to each credit default swap counterparty (inclusive of all other exposures such as those arising from direct investments or cash holdings) must not exceed 10% of the Net Asset Value of the Fund. This limit can be increased to 30% in the case of a Relevant Institution. In addition, where a Fund acts as protection seller the following additional requirements will apply: (a) the contract must be subject to daily valuations by the Fund and be independently valued at least once a month; and (ii) the risks attached to the contract must be independently assessed (i.e., by a party independent to the counterparty) on a semi-annual basis and the independent report submitted to the Company for review. Credit default swaps will be subject to the conditions and restrictions applicable to OTC contracts set out in the Prospectus.

## *Investment risks*

Investment in any Fund entails a degree of risk. While there are some risks that may be common to a number or all of the Funds, there may also be specific risk considerations which apply to particular Funds in which case such risks will be specified in the Relevant Supplement for that Fund. It is important to keep in mind one of the main axioms of investing: the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. Investment in the Shares may not be suitable for all investors and should not be considered a complete investment program. As you consider an investment in one or more of the Funds, you should take into account your investment objectives and personal risk tolerance. There can be no assurance that any Fund will achieve its investment objectives. The Net Asset Value of Shares may go down as well as up and you may not get back the amount invested or any return on your investment.

The Company will, on request, provide supplementary information to Shareholders in a given Fund relating to any risk management methods to be employed by such Fund, including the quantitative limits that are applied, and any recent developments in the risk and yield characteristics of the main categories of investments.

### **Portfolio risk**

Although each Fund will be treated as bearing its own liabilities, the Company will remain liable to third parties for all liabilities of the Company. Accordingly, the Directors reserve the right to transfer any assets to and from Funds with the consent of the Custodian if it is necessary to satisfy any creditor proceeding against assets of the Company or otherwise. It is not the intention of the Directors to transfer assets to and

from Funds and it is anticipated that any such transfer will occur only in exceptional circumstances.

### **Market risk**

The investments of a Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that appreciation will occur.

Stock markets can be volatile and stock prices can change substantially. Debt securities are interest rate sensitive and may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these price fluctuations will be greater when the maturity of the outstanding securities is longer. The performance of a Fund will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns, while attempting to reduce the associated risks to investment capital.

### **Political and/or regulatory risks**

The value of the assets of a Fund may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in applicable laws and regulations.

### **Developing market risk**

There are certain risks involved in investing in securities of companies and governments of developing market countries which are in addition to the usual risks inherent in investment in securities of more developed countries. These risks include those resulting from fluctuations in currency exchange rates, revaluation of currencies, future adverse political and

economic developments and the possible imposition of currency exchange blockages or other foreign governmental laws or restrictions, reduced availability of public information concerning issuers, the lack of uniform accounting, auditing and financial reporting standards and other regulatory practices and requirements that are often less rigorous than those applied in more developed countries. Securities of many companies in developing market countries may be less liquid and the prices more volatile than those securities of comparable companies in non-developing market countries. Certain developing market countries are known to experience long delays between the trade and settlement dates of securities purchased or sold. In addition, with respect to certain developing market countries, there is a possibility of expropriation, nationalisation, confiscatory taxation and limitations on the use or removal of funds or other assets of a Fund, including the withholding of dividends. Moreover, individual economies of developing market countries may differ favourably or unfavourably from the economies of non-developing market countries in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Investment in foreign securities may also result in higher operating expenses due to the cost of converting foreign currency into the base currency of a Fund, higher valuation and communications cost and the expense of maintaining securities with foreign custodians.

### **Currency risk**

The Net Asset Value per Share of a Fund will be computed in the base currency of the relevant Fund, whereas the investments held for the account of that Fund may be acquired in other currencies. The base currency value of the investments of a Fund designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant

currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments of each Fund may be fully hedged into its base currency. In addition, currency hedging transactions, while potentially reducing the currency risks to which a Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Fund enters into “cross hedging” transactions (e.g., utilising currency different than the currency in which the security being hedged is denominated), the Fund will be exposed to the risk that changes in the value of the currency used to hedge may not correlate with changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and the Fund securities.

### **Counterparty risk**

A Fund will have a credit risk on the parties with which it trades including for example, counterparties to repurchase agreements, securities lending agreements and OTC Contracts. In the event of the insolvency, bankruptcy or default of the seller under a repurchase agreement, a Fund may experience both delays in liquidating the underlying securities and losses, including the possible decline in the value of securities during the period while it seeks to enforce its rights thereto, possible sub-normal level of income, lack of access to income during the period and expenses in enforcing its rights. The risks associated with lending portfolio securities include the possible loss of rights against the collateral for the securities should the borrower fail financially.

A Fund’s foreign exchange, futures and other transactions also involve counterparty credit risk and may expose the Fund to unanticipated losses to the extent that counterparties are unable or unwilling to fulfill their contractual obligations. With respect to futures contracts and options on futures, the risk is more

complex in that it involves the potential default of the clearing house or the clearing broker.

The Company may have contractual remedies upon any default pursuant to the agreements related to particular transactions. Such remedies could be inadequate, however, to the extent that the collateral or other assets available are insufficient to satisfy the obligations of the counterparty to the Company.

### **Portfolio transaction charges**

Sales, redemption or transaction charges may be payable in respect of any Fund if specified in the Relevant Supplement. In the short term, these charges will have the effect of reducing the value of an investment. Accordingly, an investor should view its investment in that Fund as medium to long term.

### **No investment guarantee equivalent to deposit protection**

An investment in the Company is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account.

### **Investment techniques**

There are certain investment risks which apply in relation to techniques and instruments which the Investment Manager may employ for efficient portfolio management purposes including, but not limited to, the techniques listed below. To the extent that the Investment Manager's expectations in employing such techniques and instruments are incorrect, a Fund may suffer a substantial loss having an adverse effect on the Net Asset Value of the Shares.

### **Futures and options contracts, forward commitments, swaps and when-issued securities**

Each Fund may use futures and options, forward commitments, swaps and when-issued securities for

portfolio management purposes and/or for hedging against market movements, currency exchange or interest rate risks or otherwise. A Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including: (a) dependence on the Investment Manager's ability to predict movements in the price of securities being hedged and movements in interest rates; (b) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the relevant Fund; (c) the absence of a liquid market or of accurate pricing information for any particular instrument at any particular time; (d) while a Fund may not be leveraged or geared in any way through the use of derivatives the degree of leverage inherent in futures trading (i.e., the low margin deposits normally required in futures trading) means that a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Fund; and (e) possible impediments to effective portfolio management or the ability to meet redemption requests or other short-term obligations because of the percentage of a Fund's assets segregated to cover its obligations.

Positions in futures contracts may be closed out only on an exchange which provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, a Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if a Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, a Fund may be required to make delivery of the instruments underlying futures contracts it

holds. The inability to close options and futures positions also could have an adverse impact on the ability to effectively hedge the Fund.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. For example, if at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount of investment in the contract. The relevant Fund also assumes the risk that the Investment Manager will incorrectly predict future stock market trends. However, because the futures strategies of each Fund are engaged in only for hedging purposes, the Company does not believe that the Funds are subject to the risks of loss frequently associated with futures transactions. A Fund would generally have sustained comparable losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

Utilisation of futures transactions by a Fund does involve the risk of imperfect or no correlation where the securities underlying the futures contracts have different maturities than the portfolio securities being hedged. It is also possible that a Fund could both lose money on futures contracts and also experience a decline in value of its portfolio securities. There is also a risk of loss by a Fund of margin deposits in the

event of bankruptcy of a broker with whom a Fund has an open position in a futures contract or related option.

Most futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavourable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses.

### **Counterparty risk**

A Fund will be exposed to credit risk on the counterparties with which it trades in relation to futures and option contracts and other derivative financial instruments that are not traded on a recognised exchange. Such instruments are not afforded the same protections as may apply to participants trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. A Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which it trades such instruments, which could result in substantial losses to the Fund.

### **Repurchase and reverse repurchase agreements**

If the seller of a repurchase agreement fails to fulfill its commitment to repurchase the security in accor-

dance with the terms of the agreement, the relevant Fund may incur a loss to the extent that the proceeds realised on the sale of the securities are less than the repurchase price. If the seller becomes insolvent, a bankruptcy court may determine that the securities do not belong to the Fund and order that the securities be sold to pay off the seller's debts. The relevant Fund may experience both delays in liquidating the underlying securities and losses during the period while it seeks to enforce its rights thereto, including possible sub-normal level of income and lack of access to income during the period and expenses in enforcing its rights.

Reverse repurchase agreements create the risk that the market value of the securities sold by the Fund may decline below the price at which the Fund is obliged to repurchase such securities under the agreement. In the event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or proves insolvent, the Fund's use of proceeds from the agreement may be restricted pending the determination by the other party or its trustee or receiver whether to enforce the obligation to repurchase the securities.

### **Securities lending agreements**

A Fund will have a credit risk on a counterparty to any securities lending contract. The risks associated with lending portfolio securities include the possible loss of rights against the collateral for the securities should the borrower fail financially.

### **Stable Net Asset Value**

While the Directors may seek to maintain a stable Net Asset Value per Share in respect of any Fund whose investments primarily comprise securities which have a remaining maturity of 397 days or less ("Short-Term Fund"), there can be no assurance that the Net Asset Value per Share, or in any particular class of

Share, in such Fund will remain stable or that the price of the Shares will not fall.

## *Distribution policy*

The Articles empower the Directors to declare dividends in respect of any Shares out of net income (including dividend and interest income) and the excess of realised and unrealised capital gains over realised and unrealised losses in respect of investments of the Company. Any dividend unclaimed after a period of six years from the date when it first became payable shall be forfeited and shall revert to the relevant Fund. The distribution policy of each Fund will be specified in the Relevant Supplement.

## *Buying Shares*

The Directors may issue Shares of any series or class, and create new series or classes of Shares, on such terms as they may from time to time determine in relation to any Fund. Shares of any particular series may be divided into different classes to accommodate different subscription and/or redemption and/or dividend provisions and/or charges and/or fee arrangements, including different total expense ratios. The terms, conditions and procedures applicable to an issue of Shares in respect of a Fund will be specified in the Relevant Supplement.

The price at which Shares in any Fund are initially issued will be specified in the Relevant Supplement and thereafter Shares will be issued at the Net Asset Value per Share for the relevant Fund, together with such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for Duties and Charges in respect of the allotment and issue of such Shares. A Fund may assess a sales charge or transaction fee on Share subscriptions in such amount as is specified in the Relevant Supplement.

The Directors may issue Shares in respect of a Fund in exchange for investments in which the relevant Fund may invest in accordance with the UCITS Regulations and the particular investment objective and policies of the relevant Fund described in the Relevant Supplement. No Shares may be issued in exchange for such investments unless the Directors are satisfied that (a) the number of Shares issued in the relevant Fund will not be more than the number which would have been issued for settlement in cash having valued the investments to be exchanged in accordance with the valuation provisions set out in the Articles and summarised herein; and (b) all fiscal duties and charges arising in connection with the vesting of such investments in the Custodian for the account of the relevant Fund are paid by the person to whom the Shares in such Fund are to be issued or, at the discretion of the Directors, partly by such person and partly out of the assets of such Fund; (c) following completion of an audit of same by the auditors of the Company, the terms of such exchange shall not materially prejudice the Shareholders in the relevant Fund; and (d) the investments have been vested in the Custodian or its sub-custodian, or in the nominee or agent thereof. Shares may not be issued in exchange for such investments unless title to such investments has been delivered.

All Shares issued will be in registered form and no share certificates will be issued. Written confirmation of ownership will be sent to Shareholders on a monthly basis or at such other time as is specified in the Relevant Supplement or brokerage account agreement. This enables the Company to deal with redemption requests without undue delay. Fractional Shares of up to three decimal places will be issued in respect of any part of subscription monies insufficient to purchase whole Shares.

Measures aimed towards the prevention of money laundering may require a detailed verification of the

applicant's identity. Each of the Company and the Administrator reserves the right to request such information as is necessary to verify the identity of an applicant. By way of example an individual may be required to produce a copy of a passport or identification card duly certified by a notary public, together with evidence of his/her address such as a utility bill or bank statement and date of birth. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business addresses of all directors. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company or the Administrator may refuse to process the application or, in the case of any Shareholder who has not provided such verification, compulsorily redeem the Shares.

Investors should note that they may be unable to purchase or redeem Shares through an agent, broker or distributor on days that such parties are not open for business.

## *Determination of Net Asset Value*

The Net Asset Value of each Fund, and the Net Asset Value per Share in each Fund, shall be calculated by the Administrator to the nearest two decimal places in the base currency of the relevant Fund. To the extent specified in the Relevant Supplement, the Net Asset Value of each Fund, and the Net Asset Value per Share in each Fund, shall be calculated by the Administrator as of the Valuation Point on each Business Day in accordance with the valuation provisions set out in the Articles and summarised below.

The Net Asset Value of a Fund shall be calculated by ascertaining the value of the assets of the relevant Fund and deducting from such amount the liabilities of the Fund, which shall include all fees and expenses payable and/or accrued and/or estimated to be payable out of the assets of the Fund.

In the event that a Fund is further divided into different classes of Shares, the amount of the Net Asset Value of the Fund attributable to a class shall be determined by establishing the number of Shares issued in the class at the relevant Valuation Point and by allocating the relevant fees and Class Expenses to the class and making appropriate adjustments to take account of distributions paid out of the Fund, if applicable, and apportioning the Net Asset Value of the Fund accordingly.

The Net Asset Value per Share in respect of a Fund will be calculated by dividing the Net Asset Value of the relevant Fund by the number of Shares of the relevant Fund in issue. In the event that a Fund is further subdivided into different classes of Shares, the Net Asset Value per Share in respect of a class will be calculated by dividing the Net Asset Value of the relevant class by the number of Shares of the relevant class in issue.

The Net Asset Value per Share will be published on each Business Day in the Financial Times and in such other newspapers and through such other media as the Directors may from time to time determine and as shall be notified to the Irish Stock Exchange without delay.

In determining the value of the assets of any Fund, each asset which is quoted, listed or traded on or under the rules of any Recognised Market shall be valued at the latest available dealing price or, if unavailable or if bid and offer quotations are made, the latest available middle market quotation (i.e., the mean of the bid and offer price quoted) on the relevant Recognised Market at the Valuation Point. If

the investment is normally quoted, listed or traded on or under the rules of more than one Recognised Market, the relevant Recognised Market shall be that which the Directors or their delegates determine provides the fairest criterion of value for the investment. If prices for an investment quoted, listed or traded on the relevant Recognised Market are not available at the relevant time, or are unrepresentative in the opinion of the Directors, such investment shall be valued at such value as shall be certified with care and in good faith as the probable realisation value of the investment by a competent professional person, firm or corporation appointed for such purpose by the Administrator and approved for the purpose by the Directors and the Custodian. Neither the Directors nor the Manager nor the Administrator nor the Custodian shall be under any liability if a price reasonably believed by them to be the latest available dealing price or, as the case may be, middle market quotation for the time being, may be found not to be such.

The value of any investment which is not normally quoted, listed or traded on or under the rules of a Recognised Market, will be valued at its probable realisation value estimated with care and in good faith by the Directors (which shall be approved for the purpose by the Custodian) in consultation with the Administrator or by a competent person, firm or corporation appointed for such purpose by the Administrator and approved for such purpose by the Directors and the Custodian.

Units or shares in collective investment schemes which are not valued in accordance with the above provisions shall be valued on the basis of the latest available redemption price of such units or shares after deduction of any redemption charges.

Cash deposits and similar investments shall be valued at their face value together with accrued interest unless in the opinion of the Directors (in consultation

with the Administrator and the Custodian) any adjustment should be made to reflect the fair value thereof. Derivative instruments including swaps, interest rate futures contracts and other financial futures contracts which are traded on a Recognised Market shall be valued at the settlement price at the Valuation Point as determined by the relevant Recognised Market, provided that where it is not the practice of the relevant Recognised Market to quote a settlement price, or if a settlement price is not available for any reason, such instruments shall be valued at their probable realisation value estimated with care and in good faith by the Directors (who shall be approved for the purpose by the Custodian) in consultation with the Administrator. The value of forward foreign exchange contracts which are dealt in on a Recognised Market shall be calculated by reference to the price appearing to the Directors to be the price at which a new forward contract of the same size, currency and maturity as determined by the relevant Recognised Market could be effected as at the Valuation Point, provided that if such market price is not available for any reason, such value shall be calculated in such manner as the Directors (who shall be approved for the purpose by the Custodian) shall, in consultation with the Administrator, determine to be the price at which a new forward contract of the same size, currency and maturity could be effected.

Derivative instruments not traded on a Recognised Market shall be valued at least daily at the latest valuation obtained from the counterparty and approved or verified at least weekly by a competent professional person approved by the Custodian for such purpose and who is independent of the counterparty.

Certificates of deposit shall be valued using the amortised cost method of valuation which entails valuing securities at their cost and thereafter assumes

a constant amortisation to maturity of any premium or discount received, regardless of the impact of fluctuating interest rates, currency rates, marketability or other considerations on the market value of the securities. Treasury bills and bills of exchange shall be valued with reference to prices ruling in the relevant markets for such instruments of like maturity, amount and credit risk at the Valuation Point.

Subject to any other applicable maturity limitation, securities having a remaining maturity of six months or less shall be valued by using the amortised cost method of valuation whereby the relevant security is valued at its cost of acquisition adjusted for amortisation of premium or accretions of discount on the security. The Directors, or the Administrator as their delegate, will review the valuation of such securities at such intervals as the Directors deem appropriate (and at least weekly) to determine whether the value of the securities calculated pursuant to the amortised cost method of valuation deviates from the value of such securities if valued on a mark-to-market basis and, if so, whether such deviation may result in a material dilution or other unfair results to the Shareholders in the relevant Fund. If in any such review the value of the securities calculated pursuant to the amortised cost method of valuation deviates from the value of such securities valued on a mark-to-market basis by 0.3%, the Directors will conduct, or procure the conduct of, such reviews daily until such time as the deviation falls below 0.3% and if at any time such deviation exceeds 0.5% the pricing of securities will be reviewed.

The Directors may adopt the amortised cost method of valuation, as outlined in the preceding paragraph, for any Short-Term Fund (i.e., any Fund whose investments primarily compose securities which have a remaining maturity of 397 days or less). As noted above this basis of valuation values securities at their cost and thereafter assumes a constant amortisation to

maturity of any premium or discount received, regardless of the impact of fluctuating interest rates, currency rates, marketability or other considerations on the market value of the securities. While this method provides certainty in valuation, it may result in periods during which the value of a security, as determined by the amortised cost method of valuation, is higher or lower than the price the Short-Term Fund would receive if the security were sold. During such periods, the daily yield on Shares of the Short-Term Fund may differ somewhat from an identical computation made by an investment fund with identical investments utilising available indications as to market value in order to value its portfolio securities.

The Directors, or the Administrator as their delegate, will review the portfolio of securities of a Short-Term Fund, at such intervals as the Directors deem appropriate (and at least weekly) in order to determine whether the relevant Net Asset Value per Share, calculated by using available market quotations or other reputable sources, deviates to any material extent from the Net Asset Value per Share calculated using the amortised basis of valuation and, if so, whether such deviation may result in material dilution or other unfair results to the Shareholders in the relevant Short-Term Fund. If any such deviation exists, the Directors shall take or procure that there is taken such corrective action if any, as they deem appropriate to eliminate or reduce, to the extent reasonably practicable, the dilution or detriment including, but not limited to, the sale of portfolio securities prior to maturity to realise capital gains or losses or to shorten the weighted average maturity of the relevant Short-Term Fund, the reduction or suspension of dividends, the redemption of Shares in kind (provided that such redemption is not prejudicial to the interests of remaining Shareholders) or the establishment of a Net Asset Value per Share by using available market quotations. If in any such review the

value of the securities calculated pursuant to the amortised cost method of valuation deviates from the value of such securities when valued on a mark-to-market basis by 0.5% or more, the pricing of securities will be reviewed.

Notwithstanding the above provisions the Directors may, with prior notification to the Custodian (a) adjust the valuation of any listed investment; or (b) permit some other method of valuation approved by the Custodian to be used if, having regard to currency, applicable rate of interest, maturity, marketability and/or such other considerations as they deem relevant, they consider that such adjustment or alternative method of valuation is required to reflect more fairly the value thereof.

In determining a Fund's Net Asset Value per Share, all assets and liabilities initially expressed in foreign currencies will be converted into the base currency of the relevant Fund using the officially quoted daily exchange rates used by the Custodian. This officially quoted exchange rate may be determined prior to or after the close of a particular securities market. If such quotations are not available, the rate of exchange will be determined in accordance with policies established in good faith by the Directors.

## *Exchange privilege*

Except where dealings in Shares have been temporarily suspended in the circumstances described in this Prospectus, or as may otherwise be specified in the Relevant Supplement for any Fund, Shareholders will be entitled to exchange any or all of their Shares of any series representing a Fund (Original Class) for corresponding Shares of another series representing another Fund (New Class). Conversion shall be effected by notice in writing to the Company in such form as the Directors may approve. Unless specified otherwise in any Relevant Supplement, the general provisions and procedures relating to redemptions of

Shares of the Original Class and subscriptions for Shares of the New Class will apply to any conversion of Shares. Accordingly, for these purposes, a conversion notice will be treated as a redemption request in respect of the Original Class and as an application form in respect of Shares of the New Class.

When requesting the exchange of Shares as an initial investment in a Fund, Shareholders should ensure that the Net Asset Value of the Shares converted is equal to or exceeds any minimum holding for the relevant Fund specified in the Relevant Supplement. In the case of an exchange of a partial holding only, the value of the remaining holding must also be at least equal to any minimum holding for the relevant Fund as specified in the Relevant Supplement. If the number of Shares of the New Class to be issued on conversion is not an integral number of Shares, the Company may issue fractional new Shares or return the surplus arising to the Shareholder seeking to convert the Shares of the Original Class.

Because excessive exchanges can disrupt the management of the Funds and increase transaction costs, the Company may charge an exchange fee or a short-term redemption fee for exchanges or redemptions of Shares from certain Funds. Any exchange fee or short-term redemption fee payable by Shareholders in respect of any Fund shall be disclosed in the Relevant Supplement.

No Fund transaction fees will be payable in respect of any Short-Term Fund.

## *Redeeming Shares*

Shareholders may request the Company to redeem their Shares on any Business Day at their Net Asset Value per Share on such Business Day, less such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for Duties and Charges in respect of the realisation or cancellation of such Shares, in accordance with the

redemption procedures specified in the Relevant Supplement. If a redemption order reduces the Shareholding to below any minimum holding required in respect of a Fund and specified in the Relevant Supplement, such order may be treated as an order to redeem the entire Shareholding. A Fund may assess a redemption or transaction fee on Share redemptions in such amount as shall be specified in the Relevant Supplement.

If any Shareholder requests the redemption of Shares equal to 5% or more of the number of Shares of a particular series of Shares in issue on any Business Day, the Company may at its absolute discretion, hold over the redemption of such numbers of Shares as exceeds 5% or distribute underlying investments rather than cash provided that any such distribution shall not materially prejudice the interest of other Shareholders. In such circumstances, the relevant Shareholder will have the right to instruct the Company to procure the sale of such underlying investments on their behalf in which case the Shareholder will receive the proceeds net of all fiscal duties and charges incurred in connection with the sale of such underlying investments. If the Company refuses to redeem Shares for this reason, the redemption request shall be reduced accordingly and the Shares to which such request relates which are not redeemed shall be redeemed on each subsequent Business Day in priority to any redemption request received thereafter, subject to the same 5% limit, until all of the Shares to which the original redemption request related have been redeemed.

If outstanding redemption requests from all holders of Shares of a particular series on any Business Day total an aggregate of more than 10% of all the Shares of such series in issue on such Business Day, the Company shall be entitled at its discretion to refuse to redeem such number of Shares in issue in that series on that Business Day in respect of which redemption

requests have been received as the Directors shall determine. If the Company refuses to redeem Shares for this reason, the requests for redemption on such date shall be reduced rateably and the Shares to which each request relates which are not redeemed shall be redeemed on each subsequent Business Day in priority to any request received thereafter, provided that the Company shall not be obliged to redeem more than 10% of the number of Shares of a particular series outstanding on any Business Day, until all the Shares of the series to which the original request related have been redeemed.

Redemption proceeds will be paid within 10 Business Days of the relevant Business Day, unless otherwise specified in the Relevant Supplement or unless payment has been suspended in the circumstances described under “Temporary Suspension of Dealings” below.

Redemption proceeds may, with the consent of the Shareholder concerned, be paid by in specie transfer to the Shareholder in question. The assets to be transferred shall be selected at the discretion of the Directors and taken at their value used in determining the redemption price of the Shares being so repurchased. Such distributions will only be made if the Directors consider that they will not materially prejudice the interests of the redeeming Shareholder or the remaining Shareholders.

## *Temporary suspension of dealings*

The Directors may at any time, with prior notification to the Custodian, temporarily suspend the issue, valuation, sale, purchase, redemption or conversion of Shares during:

- (a) any period when any Recognised Market on which a substantial portion of the investments for the time being comprised in the relevant Fund

are quoted, listed or dealt in is closed otherwise than for ordinary holidays, or during which dealings on any such Recognised Market are restricted or suspended;

- (b) any period when, as a result of political, military, economic or monetary events or other circumstances beyond the control, responsibility and power of the Directors, the disposal or valuation of investments for the time being comprised in the relevant Fund cannot, in the opinion of the Directors, be effected or completed normally or without prejudicing the interests of Shareholders;
- (c) any breakdown in the means of communication normally employed in determining the value of any investments for the time being comprised in the relevant Fund or during any period when for any other reason the value of investments for the time being comprised in the relevant Fund cannot, in the opinion of the Directors, be promptly or accurately ascertained;
- (d) any period when the Company is unable to repatriate funds for the purposes of making redemption payments or during which the realisation of investments for the time being comprised in the relevant Fund, or the transfer or payment of funds involved in connection therewith cannot, in the opinion of the Directors, be effected at normal prices or normal rates of exchange; or
- (e) any period when, as a result of adverse market conditions, the payment of redemption proceeds may, in the opinion of the Directors, have an adverse impact on the relevant Fund or the remaining Shareholders in such Fund.

Notice of any such suspension shall be published by the Company in the Financial Times and in such other newspapers and through such other media as the Directors may from time to time determine, and shall be transmitted immediately and in any event,

within one Business Day, to the Financial Regulator, the Irish Stock Exchange, the Hong Kong Securities and Futures Commission (“SFC”) and the Shareholders. Shareholders who have requested the issue or redemption of Shares of any series or class will have their subscription or redemption request dealt with on the first Business Day after the suspension has been lifted unless applications or redemption requests have been withdrawn prior to the lifting of the suspension. Where possible, reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

## *Transfer of Shares*

Transfers of Shares must be effected by transfer in writing in any usual or common form or in any other form approved by the Directors from time to time. Every form of transfer must state the full name and address of each of the transferor and the transferee and must be signed by or on behalf of the transferor. The Directors or their delegate may decline to register any transfer of Shares unless the transfer form is deposited at the registered office of the Company, or such other place as the Directors may reasonably require, accompanied by such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and to determine the identity of the transferee. The transferor shall be deemed to remain the holder of the Shares until the name of the transferee is entered in the register of Shareholders. A transfer of Shares will not be registered unless the transferee, if not an existing Shareholder, has completed an application form with respect to the relevant Shares to the satisfaction of the Directors.

Shares are freely transferable except that the Directors may decline to register a transfer of Shares (a) in the absence of satisfactory evidence that the proposed transferee is not a U.S. Person; (b) if in the opinion

of the Directors the transfer would be unlawful or result or be likely to result in any adverse regulatory, tax or fiscal consequences or material administrative burden to the Company or the Shareholders; (c) in the absence of satisfactory evidence of the transferee’s identity; or (d) where the Company is required to redeem appropriate or cancel such number of Shares as are required to meet the appropriate tax of the Shareholder on such transfer. A proposed transferee may be required to provide such representations, warranties or documentation as the Directors may require in relation to the above matters.

In the event that the Company does not receive a Declaration in respect of the transferee, the Company will be required to deduct appropriate tax in respect of any payment to the transferee or any sale, transfer, cancellation, redemption, repurchase, cancellation or other payment in respect of the Shares as described in the section headed “Taxation—Ireland” below.

## *Mandatory repurchase of Shares*

The Fund has not been registered under the United States Investment Company Act of 1940 or the United States Securities Act of 1933 and may not be offered for sale and will not be sold in the United States of America, its territories or possessions or to U.S. Persons. Investors will be required to complete a purchase application or other documentation which represents that the purchaser is not a U.S. Person. The Company reserves the right to enforce compulsory redemption of Shares held by such persons at any time.

Shareholders are required to notify the Company immediately in the event that they become Irish Residents or U.S. Persons, or cease to be Exempt Investors, or the Declaration made by or on their behalf is no longer valid. Shareholders are also

required to notify the Company immediately in the event that they hold Shares for the account or benefit of Irish Residents or U.S. Persons, or otherwise hold Shares in breach of any law or regulation or otherwise in circumstances having or which may have, adverse regulatory, tax or fiscal consequences for the Company or the Shareholders.

Where the Company becomes aware that a Shareholder is (a) a U.S. Person or is holding Shares for the account of a U.S. Person; or (b) holding Shares in breach of any law or regulation or otherwise in circumstances having or which may have adverse regulatory, tax or fiscal consequences for the Company or the Shareholders, the Company may:

(i) direct the Shareholder to dispose of those Shares to a person who is entitled to own the Shares within such time period as the Company stipulates; or  
(ii) redeem the Shares at their Net Asset Value per Share as at the next Business Day after the date of notification to the Shareholder or following the end of the period specified for disposal pursuant to (i) above.

Under the Articles, any person who becomes aware that he is holding Shares in contravention of any of the above provisions and who fails to transfer, or deliver for redemption, his Shares pursuant to the above provisions or who fails to make the appropriate notification to the Company shall indemnify and hold harmless each of the Directors, the Company, the Manager, the Investment Manager, the Administrator, the Custodian and the Shareholders (each an “Indemnified Party”) from any claims, demands, proceedings, liabilities, damages, losses, costs and expenses directly or indirectly suffered or incurred by such Indemnified Party arising out of or in connection with the failure of such person to comply with his obligations pursuant to any of the above provisions.

The Company shall be entitled to redeem Shares in respect of any Fund or class in the circumstances

described below under “Termination or Merger of Funds or Share Classes”, and in such other circumstances may be specified in the Relevant Supplement.

## *Termination or merger of Funds or Share classes*

The Company is established for an unlimited period and may have unlimited assets in its Funds. However, the Company may redeem all of the Shares of any Fund or class in issue if:

- (a) the Shareholders in that Fund or class pass a special resolution providing for such redemption at a general meeting of the holders of the Shares of that Fund or class;
- (b) the redemption of the Shares in that Fund or class is approved by a resolution in writing signed by all of the holders of the Shares in that Fund or class;
- (c) the Net Asset Value of the relevant Fund does not exceed or falls below U.S. \$15,000,000 (or such other amount as may be approved by the Directors in respect of any Fund); or
- (d) the Directors deem it appropriate because of adverse political, economic, fiscal or regulatory changes affecting the relevant Fund or class of Shares.

In the event of termination or merger, the Shares of the relevant Fund or class shall be redeemed after giving such prior written notice as may be required by law to all holders of such Shares. Such notice periods may be three months or such shorter notice as may be required by any relevant regulatory authority. The Shares will be redeemed at the Net Asset Value per Share on the relevant Business Day less such sums as the Company in its discretion may from time to time determine as an appropriate provision for duties and charges in relation to the

estimated realisation costs of the assets of the relevant Fund and in relation to the redemption and cancellation of the Shares to be redeemed.

As an alternative to liquidating a Fund, or class or classes of Shares, in the circumstances described above, subject to the UCITS Regulations, the Directors may resolve to merge a Fund, or the relevant class or classes of Shares, with another Fund or class or classes of Shares whether in the Company or in any other UCITS whether authorised by the Financial Regulator under the UCITS Regulations or in any other member state of the European Union, and provided that such merger or transfer occurs at the Net Asset Value per Share as at the relevant Valuation Point subject to the provisions referred to above for realisation of assets and redemption and cancellation of Shares.

Unamortised establishment and organisational expenses shall be borne by the Company or Fund as applicable.

## *Management and administration*

### **The Directors and Secretary**

The Directors are responsible for managing the business affairs of the Company. The Directors have delegated (a) the administration of the Company's affairs, including responsibility for the preparation and maintenance of the Company's records and accounts and related fund accounting matters (including the calculation of the Net Asset Value per Share) and Shareholder registration and transfer agency services to the Manager, who has in turn sub-delegated these responsibilities to the Administrator; (b) the safe-keeping of the Company's assets to the Custodian; (c) the investment, management and disposal of the assets of each Fund to the Manager, who has in turn sub-delegated these responsibilities to

the Investment Manager; and (d) the marketing, distribution and sale of Shares to the Manager with the power to sub-delegate these responsibilities to such companies or persons as it may from time to time determine.

The Directors are listed below with their principal occupations. None of the Directors has entered into an employment or service contract with the Company nor is any such contract proposed. Consequently, the Directors are all non-executive Directors. The Company has granted indemnities to the Directors in respect of any loss or damages which they may suffer save where this results from the Directors' negligence, default, breach of duty or breach of trust in relation to the Company. The Articles do not provide for retirement of Directors by rotation. However, the Directors may be removed by the Shareholders by ordinary resolution in accordance with the procedures established under the Irish Companies Acts 1963 to 2006. The address of the Directors is the registered office of the Company.

#### **Kieran McGowan**

Kieran McGowan is a Director of CRH Plc, Elan Corporation Plc, Enterprise Ireland, An Post National Lottery Company and Drury Communications Limited. Mr. McGowan retired as Chief Executive of IDA Ireland on 31 December 1998 after nine years in that position. In 1987 he was appointed by An Taoiseach as a member of the Government Marketing Group for the International Financial Services Centre in Dublin.

#### **Randall W. Merk**

Randy Merk currently serves as Executive Vice President and President, Asset Management Products & Services Enterprise, Charles Schwab & Co. From September 2002 to July 2004, Mr. Merk was President and Chief Executive Officer, Charles Schwab Investment Management, Inc. and Executive Vice President, Charles Schwab & Co. Prior to September 2002,

Mr. Merk was President and Chief Investment Officer, American Century Investment Management, and Director, American Century Companies, Inc. (June 2001 to August 2002); Chief Investment Officer, Fixed, American Century Companies, Inc. (January 1997 to June 2001). Mr. Merk has a BA from the University of California-Davis and an MBA in Finance from Golden Gate University in San Francisco, California.

### **George Pereira**

George Pereira currently serves as Senior Vice President and Chief Financial Officer, Charles Schwab Investment Management, Inc. and Treasurer and Principal Financial Officer of SchwabFunds®. From December 1999 to November 2004, Mr. Pereira was Senior Vice President, Financial Reporting, Charles Schwab & Co., Inc. From September 1999 to December 1999, Mr. Pereira was Chief Financial Officer, Commerzbank Capital Markets. Prior to September 1999 Mr. Pereira was Managing Director at the New York Stock Exchange. Mr. Pereira received his BA from the State University of New York at Albany and his MBA from Saint John's University.

### **Peter Sandys**

Peter Sandys is an independent financial consultant. Prior to this Mr. Sandys served as Managing Director of the ABN AMRO Corporate Finance (Ireland) Limited until September 1998. Prior to joining ABN AMRO in 1989, Mr. Sandys was Manager of Corporate Advisory Services of Ernst & Young (1987 to 1988) where he had also previously been a Senior Executive in the Corporate Taxation Department (1982 to 1985). Mr. Sandys was also Investment Controller of 3i Dublin (1986 to 1987) and Assistant Manager of Corporate Advisory Services, London (1985 to 1986). Mr. Sandys began his career in 1978 with Stokes Kennedy Crowley. Mr. Sandys is a Fellow of the Institute of Chartered Accountants, an Associate of the Institute of Taxation in Ireland and a

Registered Stockbroker. Mr. Sandys was also a member of the Irish Stock Exchange New Issues sub-committee from 1993 to 1998. He is also a director of a number of offshore mutual funds. Mr. Sandys has a BBS from Trinity College, Dublin.

The Company Secretary is Matsack Trust Limited, 70 Sir John Rogerson's Quay, Dublin 2.

### **The Manager**

The Manager of the Company is Charles Schwab Asset Management (Ireland) Limited which was incorporated in Ireland as a private limited liability company on 29 January 1999 under registration number 300641. The issued and paid up share capital of the Manager is EUR126,973.80. The directors and company secretary of the Manager are the same as the Directors and Company Secretary of the Company. The Manager is engaged in the business of providing management services to collective investment vehicles and is a wholly owned subsidiary of Schwab (SIS) Holdings, Inc I, which is a wholly-owned subsidiary of The Charles Schwab Corporation, the promoter of the Company. The Charles Schwab Corporation is a publicly traded financial services company that is listed on the New York Stock Exchange and Nasdaq Stock Market and is subject to regulation by the Federal Reserve Bank and the U.S. Securities and Exchange Commission.

Under the Management Agreement between the Company and the Manager dated 28 April 1999 (the "Management Agreement"), the Manager will provide or procure the provision of investment management, administration, accounting, registration and distribution services to the Company.

The Management Agreement provides that in the absence of gross negligence, wilful default, fraud or bad faith, the Manager shall not be liable for any loss or damage arising out of the performance of its duties. The Management Agreement provides further that the Company shall indemnify the Manager (and

each of its directors, officers, servants, employees and agents) for any proceedings taken or loss or damage suffered (including costs and expenses) in the performance or non-performance of its duties except for such loss as arises out of or in connection with any gross negligence, wilful default, fraud or bad faith by the Manager in the performance or non-performance of its duties.

The Management Agreement shall continue in force unless and until terminated by either party after the third anniversary of its execution on ninety days notice in writing to the other party or until terminated by either party immediately in certain circumstances described in the Management Agreement including, without limitation, the insolvency of either party or the Manager's tax certificate under Section 734 of the TCA, 1977 being revoked.

### **The Investment Manager**

Pursuant to the Investment Management Agreement dated 28 April 1999 between the Manager and the Investment Manager, Charles Schwab Investment Management, Inc. has been appointed as the Investment Manager with responsibility for the investment, management and disposal of the assets of each Fund. Charles Schwab Investment Management, Inc. (the "Investment Manager"), 101 Montgomery Street, San Francisco, CA 94104, currently provides investment management services to the CSIM Portfolios, the SchwabFunds® and Laudus Funds, a family of 73 mutual funds which are collective investments organised and registered for sale in the United States with over U.S.\$230 billion in assets as of 30 November 2007.

Under the Investment Management Agreement, the Investment Manager is not liable for any loss or damage arising out of the performance of its duties unless it is deemed responsible for gross negligence, wilful default, fraud or bad faith, and in no circumstances shall the Investment Manager be liable

for special, indirect or consequential damages, or for lost profits or loss of business, arising out of the performance of its duties. In addition, the Company has agreed to indemnify the Investment Manager from and against any claims, damages, losses, liabilities, costs and expenses suffered by the Investment Manager in connection with the performance of its duties and/or the exercise of its powers, unless it arises from the gross negligence, willful default, bad faith or fraud of the Investment Manager.

Under the Investment Management Agreement, the Investment Manager is entitled to delegate or subcontract all or any of its functions, powers, discretions, duties and obligations to any person approved by the Manager, provided that such delegation or subcontract is in accordance with the requirements of the Financial Regulator and shall terminate automatically on the termination of the Investment Management Agreement and provided further that the Investment Manager shall remain responsible and liable for any acts or omissions of any such delegatee as if such acts or omissions were those of the Investment Manager.

The Investment Management Agreement can be terminated by any party on ninety days' written notice or immediately in certain circumstances described in the Investment Management Agreement.

### **The Administrator**

Pursuant to the Administration Agreement dated 28 April 1999 between the Company, the Manager and the Administrator, SEI Investments – Global Fund Services Limited has been appointed as the Administrator of the Company with responsibility for performing the day-to-day administration of the Company and each Fund and providing related fund accounting services (including the calculation of the Net Asset Value of each Fund and the Net Asset Value per Share) and for providing Shareholder registration, transfer agency and related support services.

The Administrator was incorporated as a limited liability company in Ireland on 16 December 1995. The Administrator has an issued and fully paid up capital of U.S. \$175,000 and is a wholly-owned subsidiary of SEI Investments Global, Limited which is in turn a wholly-owned indirect subsidiary of SEI Investments Company.

Under the Administration Agreement, the Administrator is not liable for any loss or damage arising out of the performance of its duties unless it is guilty of negligence, wilful or reckless misconduct, default, misfeasance, fraud or bad faith. In addition, the Company has agreed to indemnify the Administrator from and against any claims, damages, losses, liabilities, costs and expenses suffered by the Administrator in connection with the performance of its duties and/or the exercise of its powers, unless they arise from the negligence, wilful or reckless misconduct, default, misfeasance, fraud or bad faith of the Administrator.

The Administration Agreement can be terminated by any party on ninety days' written notice or immediately in certain circumstances described in the Administration Agreement.

## **The Custodian**

Pursuant to the Custodian Agreement dated 28 April 1999, between the Company, the Manager and the Custodian, Brown Brothers Harriman Trustee Services (Ireland) Limited has been appointed as custodian of all the Company's assets. The Custodian was incorporated in Ireland as a limited liability company on 29 March 1995. The Custodian is a subsidiary of Brown Brothers Harriman & Co. and has shareholder equity in excess of U.S. \$7,000,000. The principal activity of the Custodian is to act as custodian and trustee of collective investment schemes.

The Custodian Agreement contains provisions governing the responsibilities of the Custodian, including its primary responsibilities which are acting as custo-

dian and ensuring the safekeeping of the cash and assets of the Company. The Custodian is obliged to enquire into the conduct of the Company in each financial year and to report thereon to the Shareholders, stating whether in the Custodian's opinion the Company has been managed in accordance with the limitations imposed on the investment and borrowing powers of the Company described in this Prospectus and in all other material respects in accordance with the Articles and the UCITS Regulations and, if it has not been so managed, in which respects it has not been so managed and the steps which the Custodian has taken to rectify the situation. The Custodian is liable to the Company, the Manager and the Shareholders for any loss suffered by them as a result of its unjustifiable failure to perform its obligations or its improper performance of them. Under the UCITS Regulations, the liability of the Custodian will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safe-keeping. The Company, the Manager and the Custodian acknowledge that the Financial Regulator considers that, in order to discharge its liability under the Custodian Agreement, the Custodian must exercise care and diligence in choosing and appointing a third party as a safe-keeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned and must maintain an appropriate level of supervision over the safe-keeping agent and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged. This does not purport to be a legal interpretation of the UCITS Regulations or the corresponding provisions of the UCITS Directive.

The Custodian Agreement shall continue in force until terminated by either party thereto on ninety days' written notice to the other party. If within

ninety days from the date of the Custodian serving a termination notice a custodian acceptable to the Company and the Financial Regulator has not been appointed to act as custodian, the Company shall serve notice on all Shareholders of its intention to dispose of its assets and redeem all outstanding Shares on the date specified in such notice which shall not be less than thirty days nor more than ninety days after the date of service of such notice and shall procure that, following redemption of all but the required minimum number of Shares, a liquidator be appointed so that the Company shall be wound up. On completion of such process, the Company shall apply to the Financial Regulator for revocation of its authorisation of the Company under the UCITS Regulations. The Custodian's appointment shall not terminate until such revocation.

## *Taxation*

Shareholders and potential investors are advised to consult their professional advisers concerning possible taxation or other consequences of purchasing, holding, selling, exchanging or otherwise disposing of Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile. The following statements on taxation are based on advice received by the Directors regarding the law and practice in force in Ireland at the date of this Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position at the time of an investment in the Company or any Fund will not change.

## *Ireland*

### **The Company**

The Company is an investment undertaking within the meaning of Section 739B TCA 1997 and is not an investment undertaking to which Section 739C(IA)

TCA 1997 applies and therefore is not chargeable to Irish tax on its relevant income or relevant gains nor is it subject to withholding tax on dividends or distributions to Shareholders but may be required to deduct the tax chargeable pursuant to Section 739E TCA 1997 (hereinafter the "appropriate tax") from Irish Residents who are not Exempt Investors or any person in respect of which the Company is not in possession of a Declaration. No stamp, documentary, transfer or registration tax is payable by the Company in Ireland on the issue, transfer, redemption, repurchase or cancellation of or subscription for Shares.

Distributions of income and capital gains and interest on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Company may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation treaties in operation between Ireland and other countries. The Company may not therefore be able to reclaim withholding tax suffered by it in particular countries. If this position changes in the future and the application of a lower rate results in a repayment to the Company or to any Fund, the Net Asset Value of the relevant Fund will not be restated and the benefit will be allocated to the then-existing Shareholders rateably at the time of repayment.

### **Shareholders**

#### **Non-Irish residents**

The following section describes the Irish tax treatment of Shareholders who are not Irish Residents and in respect of which the Company is in possession of a Declaration.

Shareholders who are not Irish Residents will not be chargeable to Irish income tax, corporation tax or capital gains tax in respect of distributions made by the Company or in respect of disposals, transfers or redemptions of Shares. No appropriate tax will be

deducted from payments to such Shareholders or transfers by such Shareholders provided the Company is in possession of a Declaration in respect of such Shareholders.

### **Irish residents**

The following section describes the Irish tax treatment of Shareholders who are Irish Residents.

#### *Non Exempt Investors*

## *Deductions by the Company*

Shareholders who are not Exempt Investors will have appropriate tax deducted on any payments made to them or transfers of Shares made by them except:

- (i) any exchange by a Shareholder, affected by way of a bargain made at arm's length by the Company, of its Shares for other Shares;
- (ii) any transaction in relation to Shares which are held in a recognised clearing system and;
- (iii) the transfer by a Shareholder of entitlement to a Share where the transfer is between a husband and wife or, between the spouses or former spouses concerned (as the case may be), by virtue or in consequence of an order under Part III of the Family Law (Divorce) Act 1996, on or following the granting of a decree of divorce, or between the spouses concerned, by virtue or in consequence of an order made under Part II of the Family Law Act 1995, on or following the granting of a decree of judicial separation within the meaning of that Act, or between the spouses or former spouses concerned (as the case may be), by virtue or an order or other determination of like effect, which is an analogous to an order referred to above, of a court under the law of a territory other than Ireland made under or in conse-

quence of the dissolution of a marriage or the legal separation of the spouses, being a dissolution or legal separation that is entitled to be recognised as valid in Ireland, but, in respect of such a transfer, the Shareholder shall be treated as having acquired the Shares transferred at the same cost as the person who transferred the Shares.

The appropriate tax is the Irish standard rate of tax (currently 20%) on payments which are annual or more frequent (e.g. dividends) and the standard rate of tax plus 3% on the sale, transfer, redemption, repurchase, cancellation of Shares or the making of any other payment in respect of their Shares. The Company will be entitled to deduct such appropriate tax from payments or redeem and cancel such number of Shares as are required to meet the appropriate tax of the relevant Shareholder and will pay the appropriate tax in respect of such Shares to the Irish tax authorities.

## *Further tax*

A Shareholder who is not a company and who is an Irish Resident but not an Exempt Investor and has appropriate tax deducted from any payments made to it will not be liable to any further income or capital gains tax in respect of any sale, transfer, redemption, repurchase, cancellation of Shares or the making of any other payment in respect of his Shares.

Where the Shareholder is a company, the payment is not taxable as trading income (i.e., is not taxable under Case I of Schedule D as set out in Section 18 TCA 1997) and appropriate tax has been deducted from the payment the following provisions apply:

- (i) where the payment is an annual or more frequent payment (e.g. a dividend), the amount received will be treated as the net amount of an annual payment chargeable to tax under Case IV of Schedule D from the gross amount in respect

- of the gross amount of which income tax has been deducted at the standard rate; and
- (ii) the making of any other payment in respect of such Shares or any sale, transfer, redemption, repurchase or cancellation of such Shares will not be taken into account for the purposes of Irish tax.

Where the Shareholder is a company, the payment is taxable as trading income and appropriate tax has been deducted from the payment the following provisions apply:

- (i) the amount received by the Shareholder increased by any amount of appropriate tax deducted will be income of the Shareholder for the chargeable period in which the payment is made;
- (ii) where the payment is made on the sale, transfer, redemption, repurchase or cancellation of Shares, such income will be reduced by the amount of consideration in money or money's worth given by the Shareholder for the acquisition of those Shares; and
- (iii) the amount of appropriate tax deducted will be set off against the Irish corporation tax assessable on the Shareholder in respect of the chargeable period in which the payment is made.

Where a currency gain is made by a Shareholder on the disposal of Shares, such Shareholder may be liable to capital gains tax for the year in which it disposed of the Shares.

Except in the circumstances specified in Section 739F(s) TCA 1997 and Section 739G(2)(j) TCA 1997 no repayment of appropriate tax will be made to any person other than a company within the charge to Irish corporation tax.

### *Exempt Investors*

## *Deductions by the Company*

Appropriate tax will not be deducted in respect of any sale, transfer, redemption, repurchase or cancellation of Shares held by Exempt Investors from other payment in respect of such Shares where the Company is in possession of a Declaration in relation to such Shares. It is the Exempt Investor's obligation to account for any tax to the Irish tax authorities and return such details as are required to the Irish tax authorities. It is also the Exempt Investor's obligation to notify the Company if it ceases to be an Exempt Investor.

## *Further tax*

Exempt Investors may be liable to Irish tax on their income, profits and gains in relation to any sale, transfer, repurchase, redemption or cancellation of Shares or dividends or distributions or other payments in respect of their Shares.

Where an Exempt Investor is not a company and is an Irish Resident and the payment is a payment from which appropriate tax has not been deducted, provided the income or gain represented by the payment is correctly included in a return made by the Exempt Investor, then notwithstanding Section 15 TCA 1997, the applicable rate of income tax will be as set out below:

- (i) where the payment is a relevant payment the rate of income tax shall be the standard rate (20% from 6 April 2001);
- (ii) where the payment is not a relevant payment and is not made in consideration of the disposal of the Shares, the rate of income tax

shall be the standard rate plus 3% (23% from 6 April 2001);

- (iii) where the payment is in respect of a disposal of Shares the amount of the gain is chargeable to income tax under Case IV of Schedule D and the rate of income tax shall be the standard rate plus 3% (23% from 6 April 2001).

Where the Exempt Investor is a company and the payment is not taxable as trading income, the amount of the payment will be treated as income arising to the Shareholder, constituting profits or gains chargeable to Irish tax under Case IV of Schedule D as set out in Section 18 TCA 1997 but where the payment is in respect to the cancellation, redemption, repurchase or transfer of Shares, such income shall be reduced by the amount of the consideration in money or money's worth given by the Shareholder for acquisition of those Shares.

Where the Exempt Investor is a company and the payment is taxable as trading income,

- (i) the amount received by the Exempt Investor will be income of the Exempt Investor for the chargeable period in which the payment is made; and
- (ii) where the payment is made on the sale, transfer, redemption, repurchase or cancellation of Shares, such income will be reduced by the amount of consideration in money or money's worth given by the Exempt Investor for the acquisition of those Shares.

#### ***Other taxes—all Shareholders***

### ***Stamp duty***

No stamp, documentary, transfer or registration tax is payable by the Shareholders on the issue, sale, transfer, redemption, repurchase, cancellation of or subscription for Shares. If any redemption is satisfied

by the transfer in specie to any Shareholder of any Irish assets, a charge to Irish stamp duty may arise.

### ***Capital acquisitions tax***

For so long as the Company continues to qualify as an investment undertaking as defined by Section 739B TCA 1997 any Shares which are comprised in a gift or an inheritance will be exempt from capital acquisitions tax ("CAT") and will not be taken into account in computing CAT on any gift or inheritance taken by the donee or successor: if (i) the Shares are comprised in the gift or inheritance at the date of the gift or at the date of the inheritance, and at the valuation date; (ii) at the date of the disposition, the Shareholder making the disposition is neither domiciled nor ordinarily resident in Ireland; and (iii) at the date of the gift, or at the date of the inheritance, the donee or successor is not domiciled or ordinary resident in Ireland.

### ***Residence and ordinary residence***

The following summary of the concepts of residence and ordinary residence under Irish tax law has been issued by the Irish Revenue Commissioners for the purposes of the Declaration set out in the application form. Shareholders and potential investors are advised to contact their professional advisers if they have any concerns in relation to the Declaration.

#### ***Residence—company***

A company which has its central management and control in the Republic of Ireland is resident in the Republic of Ireland irrespective of where it is incorporated. A company which does not have its central management and control in the Republic of Ireland but which is incorporated in the Republic of Ireland is resident in the Republic of Ireland except where:—

- (i) the company or a related company carries on a trade in the Republic of Ireland, and either the

company is ultimately controlled by persons resident in EU Member States or, in countries with which Ireland has a double taxation treaty (a “taxation treaty company”), or the company or a related company are quoted companies on a recognised stock exchange in the EU or in a taxation treaty country; or

- (ii) the company is regarded as not resident in the Republic of Ireland under a double taxation treaty between Ireland and another country.

#### ***Residence—individual***

An individual will be regarded as being resident in the Republic of Ireland for a tax year if that individual:

- (i) spends 183 days or more in the Republic of Ireland in that tax year; or
- (ii) has a combined presence of 280 days in the Republic of Ireland, taking into account the number of days spent in the Republic of Ireland in that tax year together with the number of days spent in the Republic of Ireland in the preceding year.

Presence in a tax year by an individual of not more than 30 days in the Republic of Ireland will not be reckoned for the purpose of applying the two year test. Presence in the Republic of Ireland for a day means the personal presence of an individual at the end of the day (midnight).

#### ***Ordinary residence—individual***

The term “ordinary residence” as distinct from “residence”, relates to a person’s normal pattern of life and denotes residence in a place with some degree of continuity.

An individual who has been resident in the Republic of Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year.

An individual who has been ordinarily resident in the Republic of Ireland ceases to be ordinarily resident at the end of the third consecutive year in which that individual is not resident in the Republic of Ireland. Thus, an individual who is resident and ordinarily resident in the Republic of Ireland in the tax year ended 31 December 2007 and departs from the Republic of Ireland in that year will remain ordinarily resident up to the end of the tax year ended 31 December 2010.

## ***United States federal income taxes***

The following discussion is a general summary of certain U.S. federal tax consequences that may result to the Company and its Shareholders in connection with their investment in the Company. The discussion does not purport to deal with all of the U.S. federal tax income consequences applicable to the Company or to all categories of investors, some of whom may be subject to special rules. The discussion assumes that the Company will not hold any interests (other than as a creditor) in any “United States real property holding corporations” as defined in the U.S. Internal Revenue Code of 1986, as amended. Furthermore, the discussion assumes that no U.S. Person owns directly or indirectly, or is considered as owning by application of certain tax law rules of constructive ownership, any Shares of the Company. Investors should consult their own tax advisers regarding the tax consequences to them of an investment in the Company in light of their particular circumstances.

### **The Company**

The Company intends to conduct its affairs so that it will not be deemed to be engaged in trade or business in the United States and, therefore, none of its income will be treated as “effectively connected” with a U.S. trade or business carried on by the

Company. If none of the Company's income is effectively connected with a U.S. trade or business carried on by the Company, certain categories of income (including dividends and certain types of interest income) derived by the Company from U.S. sources will be subject to a U.S. tax of 30%, which tax is generally withheld from such income. Capital gains derived by the Company will not be subject to this 30% tax. If, on the other hand, the Company derives income which is effectively connected with a U.S. trade or business carried on by the Company, such income will be subject to U.S. federal income tax at the graduated rates applicable to U.S. domestic corporations, and the Company may also be subject to a branch profits tax. It is not anticipated that the Company will be eligible for a reduced rate of withholding tax or other benefits pursuant to the income tax treaty currently in force between the United States and Ireland.

### **Shareholders**

The U.S. tax consequences to Shareholders of distributions from the Company and of dispositions of Shares generally depends on the Shareholder's particular circumstances, including whether the Shareholder conducts a trade or business within the United States.

### *Fees and expenses*

The Company shall pay the Manager and the Custodian such fees and expenses relating to each Fund as will be specified in the Relevant Supplement. The Manager will be responsible for paying the fees and expenses of the Investment Manager, the Administrator and the Company Secretary. Shareholders shall be given three months notice of any increase in the level of management fee charged in respect of any Fund from the current level as stated in the Relevant Supplement to the maximum level which is permitted by the Management Agreement. Any increase beyond

this maximum shall be effected by an approval of the Shareholders by ordinary resolution.

The Company's organisational expenses have been fully amortised. Each Fund will bear its own establishment expenses.

The Company will also pay certain other costs, charges, fees and expenses incurred in its operation, including without limitation fees and expenses incurred in relation to banking and brokerage in respect of the purchase and sale of Fund securities, taxes, insurance, the costs and expenses of maintaining its books of account and of preparing, printing, publishing and distributing (in such languages as may be necessary) prospectuses, supplements, annual and half-yearly reports and other documents or information to current and prospective Shareholders (including the costs of developing and enhancing computer software and electronic transmission techniques to distribute such documents or information), the expense of publishing daily price and yield information, in relevant media, the costs and expenses of obtaining authorisations or registrations of the Company or of any Shares with the regulatory authorities (including local securities dealers associations) in various jurisdictions, the cost of listing and maintaining a listing of Shares on any stock exchange, marketing and promotional expenses, the cost of convening and holding Directors and Shareholders meetings and professional fees and expenses for legal, auditing and other consulting services and such other costs and expenses (including non-recurring and extraordinary costs and expenses) as may arise from time to time and which have been approved by the Directors as necessary or appropriate for the continued operation of the Company or of any Fund.

The Manager or an affiliate may, out of its own resources, pay fees to Charles Schwab & Co. Inc. and its affiliated brokers or financial intermediaries (or

other institutional investors) as compensation for services provided, or responsibilities assumed by such entities, with respect to large institutional accounts. Such fees are not paid by the Company or the Shareholders.

Separate and apart from the expenses borne by the Company or any Fund, financial institutions through whom Shares are purchased may charge fees for services provided which may be related to the ownership of Shares. This Prospectus should, therefore be read together with any agreement between customer and institution with regard to services provided, the fees charged for these services, and any restrictions and limitations imposed thereunder.

The Articles provide that the Directors shall be entitled to a fee as remuneration for their services at a rate to be determined from time to time by the Directors provided that the amount of remuneration payable to any Director in any one year shall not exceed U.S. \$10,000 or such other amount as the Directors may from time to time determine and disclose to the Shareholders in the latest annual or half-yearly report. The Directors, and any alternate Directors, shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in attending Directors or Shareholders meetings or any other meetings in connection with the business of the Company. None of the Directors have entered into a service contract with the Company nor is any such contract proposed and none of the Directors is an executive of the Company.

The expenses of each Fund of the Company are deducted from the total income of such Fund before dividends are paid. Expenses of the Company which are not directly attributable to the operation of a particular Fund are allocated among all Funds in a manner determined by the Directors. Class Expenses shall be allocated to the class to which they relate. Expenses of the Company which are not directly

attributable to a specific class of Shares and which are directly attributable to a specific Fund are allocated among all classes of such Fund in a manner determined by the Directors. In such cases, the expenses will normally be allocated among all classes of such Fund pro-rata to the value of the net assets of the Fund which are attributable to those classes.

## *Information for Hong Kong investors*

### **Authorisation in Hong Kong**

The Company and its initial sub-fund, Schwab U.S. Dollar Liquid Assets Fund are authorised by the SFC under Section 104 of the Securities and Futures Ordinance. Such authorisation does not imply official approval or recommendation. The SFC does not take any responsibility as to the contents of the Prospectus. No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry out the Type 1 regulated activity set out in Schedule 5 of the Securities and Futures Ordinance.

### **Hong Kong representative**

The Hong Kong Representative of the Company (the “Hong Kong Representative”) is Charles Schwab, Hong Kong, Ltd. whose registered office is situated at Shop A&C, Ground Floor, Hong Kong Club Building, 3A Chater Road, Hong Kong. The Hong Kong Representative has entered into an agreement with the Manager pursuant to which the Hong Kong Representative has been appointed to act as its representative and is authorised to receive requests from Hong Kong residents for subscription, redemption and exchange of Shares. Any fees payable to the Hong Kong Representative under the agreement shall be paid by the Manager out of its own fees. Requests will be forwarded to the Administrator in Ireland as soon as possible after receipt. The Hong Kong Representative

has, however, no authority to agree, on behalf of the Company, that requests will be accepted.

### **Charles Schwab, Hong Kong, Ltd. securities brokerage accounts**

Hong Kong investors wishing to subscribe for Shares should contact the Hong Kong Representative. Before subscribing for Shares, investors will be required to open a brokerage account with the Hong Kong Representative, or its affiliates. The opening of such an account enables the Hong Kong Representative to provide shareholder services to Hong Kong investors. In addition the opening of such an account enables Charles Schwab to monitor its client's identity in order to comply with regulatory requirements. In order to open a brokerage account, applicants must complete account opening forms, provide information concerning their identity, verify their address and complete a certificate stating that they are not a resident in the U.S. or the Republic of Ireland.

### **Buying Shares**

Hong Kong investors wishing to subscribe for Shares should contact the Hong Kong Representative. As soon as practicable following receipt of a subscription request the Hong Kong Representative will forward it to the Administrator in Ireland for processing. All such subscriptions for Shares will be processed by reference to the Net Asset Value calculated as at the next Valuation Point after receipt and acceptance by the Administrator in Ireland of the subscription request on the relevant Business Day, regardless of when the subscription request was submitted to the Hong Kong Representative.

### **Publication of Net Asset Value**

For so long as the Company maintains its authorisations with the SFC under Section 104 of the Securities and Futures Ordinance, the Net Asset Value of its Shares will be published daily in the Hong Kong Economic Times and the South China Morning Post.

### **Exchange privilege**

Hong Kong Shareholders may also exchange their Shares in the Funds for shares of other funds authorised in Hong Kong by the SFC, made available through Charles Schwab, Hong Kong, Ltd. Such an exchange will be effected as a redemption request in respect of the Shares in the relevant Fund and a subscription request in respect of shares in the other funds, for which additional fees may apply. To exercise the exchange privilege, Hong Kong Shareholders should contact the Hong Kong Representative requesting that the exchange be effected.

### **Redeeming Shares**

Hong Kong Shareholders wishing to redeem Shares may lodge their redemption requests with the Hong Kong Representative. As soon as possible following receipt of a redemption request the Hong Kong Representative will forward it to the Administrator in Ireland for processing. All redemption requests will be processed by reference to the Net Asset Value calculated as at the next Valuation Point after receipt and acceptance by the Administrator in Ireland of the redemption request on the relevant Business Day, regardless of when the redemption request was submitted to the Hong Kong Representative.

### **Expenses**

The Directors have undertaken that for so long as the Company is authorised pursuant to Section 104 of the Securities and Futures Ordinance, expenses arising out of any marketing or promotional activities in connection with the Company and any of its Funds shall not be paid out of the Company's assets.

### **Documents for inspection**

For so long as the Company maintains its authorisations with the SFC under Section 104 of the Securities and Futures Ordinance at the offices of the Hong Kong Representative (specified in the Direc-

tory), copies of the following documents may be inspected during normal business hours on any day on which the Hong Kong Representative is open for business:

- (a) the material contracts referred to under “Material Contracts” below;
- (b) the Hong Kong Representative Agreement;
- (c) the Memorandum and Articles of Association of the Company;
- (d) the UCITS Regulations;
- (e) the latest published annual and half-yearly reports and audited and unaudited accounts of the Company; and
- (f) undertakings given to the SFC on behalf of the Company.

Copies of any of the above documents may be obtained from the Hong Kong Representative free of charge.

## *Hong Kong tax*

### **The Company**

Under current Hong Kong law and for so long as the Company maintain its authorisation with the SFC in Hong Kong under Section 104 of the Securities and Futures Ordinance, the Company is not expected to be subject to Hong Kong profit tax in respect any of its authorised activities.

### **Shareholders**

Shareholders will not be subject to any Hong Kong tax on distributions paid by the Company from the Fund or on capital gains realised on the sale of any Shares except that Hong Kong profit tax may arise if the acquisition and redemption of Shares is or forms part of a trade, profession or business carried on in Hong Kong.

Shares will not attract Hong Kong estate duty and no Hong Kong stamp duty will be payable on the issue or transfer of Shares. The foregoing is given on the

basis of the Investment Manager’s understanding of present legislation and practice in Hong Kong. Investors are advised to check their tax position.

## *Information for United Kingdom investors*

The Company is categorised as a recognised scheme for the purposes of Section 264 of the Financial Services and Markets Act 2000 (the “FSMA”). Accordingly, Shares may be marketed to the general public in the United Kingdom. Charles Schwab, U.K., Limited has been appointed by the Manager to act as Facilities Agent for the Company in the United Kingdom pursuant to the UK Facilities Agreement dated 30 September 2003 and it has agreed to provide facilities at its offices at 10 King William Street, London EC4N 7TW, United Kingdom where:

- (a) a Shareholder may redeem or arrange for redemption of his or her Shares and from which payment of the price on redemption may be obtained; and
- (b) information can be obtained orally and in writing about the Funds’ most recently published Share price.

Copies of the following documents may be inspected and obtained (free of charge) from the offices of the Facilities Agent:

- (a) the Memorandum and Articles of Association of the Company and any amendments thereto;
- (b) the prospectus most recently issued by the Company;
- (c) the simplified prospectus most recently issued by the Company; and
- (d) the most recently published annual and half yearly reports relating to the Company.

The fees of the UK Facilities Agent will be payable by the Manager out of its own fees.

## *United Kingdom taxation*

The following summary of anticipated tax treatment in the United Kingdom does not constitute legal or tax advice and applies only to persons holding Shares as an investment. The summary is based on the taxation law and practice in force at the date of this Prospectus, but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation might change. Prospective investors should consult their own professional advisers on the implications of making an investment in, holding or disposing of Shares, and the receipt of distributions (whether or not on redemption) with respect to such Shares under the laws of the countries in which they are liable to taxation. The following tax summary is not a guarantee to any investor of the tax results of investing in the Company.

### **The Company**

The Directors intend to conduct the affairs of the Company in such a manner as to minimise, so far as they consider reasonably practicable, taxation suffered by the Company. This will include conducting the affairs of the Company so that it does not become resident in the United Kingdom for taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a permanent establishment situated therein), the Company will not be subject to United Kingdom income tax or corporation tax on gains on disposal of its investments, but may be subject to United Kingdom withholding taxes on United Kingdom source income.

### **Shareholders**

The Company is an offshore umbrella fund for the purposes of United Kingdom taxation. The Company intends to operate its investment and distribution policies so as to enable it to qualify as a distributing fund and it is intended to make application for

certification of each Fund each year. Certification is granted retrospectively. There can, however, be no guarantee that certification will be obtained or, that once obtained, it will continue to be available for future periods of account. If the Company does not obtain certification as a distributing fund for any Fund throughout the period during which Shares of that Fund are held, gains arising to United Kingdom resident investors (who are not dealers) on disposal of their Shares (for example, by way of transfer or redemption including exchanges between classes of Shares) will comprise income for the purpose of United Kingdom taxation. If it obtains certification as a distributing fund throughout the period during which Shares are held, such gains will be liable to tax as capital gains.

As the disposal proceeds will be received in U.S. dollars, they should be translated into pounds sterling to calculate the amount of any chargeable gain or allowable loss or, if such certification is not obtained, income gain or allowable loss. For instance, even though the Company seeks to maintain Shares of the Schwab U.S. Dollar Liquid Assets Fund at a stable net asset value per Share of U.S. \$1.00, a Shareholder may make a gain (or loss) when that value is translated into pounds sterling when Shares are redeemed. Investors resident in the United Kingdom should note that they will be required to account in pounds sterling in respect of their transactions in Shares notwithstanding that the Shares are denominated in U.S. dollars.

According to their personal circumstances, Shareholders resident in the United Kingdom for tax purposes will be liable to income tax or corporation tax in respect of any dividend or other income distribution of the Company. Where investments of the Company are distributed in specie to Shareholders other than by way of dividend, such distributions may

represent a part-disposal of Shares for United Kingdom tax purposes.

If any Fund has more than 60% by market value of its investments in debt securities, money placed at interest (other than cash awaiting investment), building society shares or in holdings in unit trusts or other offshore funds with, broadly, more than 60% of their investments similarly invested, corporate investors will be taxed on any increase (or relieved for any loss) on the open market value of their interest in the Fund at the end of each accounting period and at the date of disposal of their interest as income. In addition, income distributions of the Fund will be taxed as interest.

It should be noted that authorised unit trusts, open-ended investment companies and investment trusts holding Shares should not be affected by these rules to the extent that profits and losses on their Shares are accounted for as capital. However the rules may apply to investors in relevant authorised unit trusts and open-ended investment companies.

Investors who are life insurance companies within the charge to United Kingdom taxation holding their Shares in the Company for the purposes of their long-term business (other than their pensions business) will be deemed to dispose of and immediately reacquire their Shares at the end of each accounting period. Such Shareholders should seek their professional advisers' advice as to the tax consequences of the deemed disposal.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Sections 739 and 740 of the Income and Corporation Taxes Act 1988 (the "Taxes Act"). These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistrib-

uted income and profits of the Company on an annual basis.

The Taxes Act also contains provisions, which subject certain United Kingdom resident companies to corporation tax on profits of companies not so resident in which they have an interest. The provisions affect United Kingdom resident companies which are deemed to be interested in at least 25% of the profits of a non-resident company which is controlled by residents of the United Kingdom and which does not distribute substantially all of its income and is resident in a low tax jurisdiction. As it is intended that the Company will distribute substantially all of its income, it is not anticipated that this legislation will have any material effect on United Kingdom resident corporate investors. The legislation is not directed towards the taxation of capital gains.

It is anticipated that the shareholdings in the Company will be such as to ensure that the Company would not be a close company if resident in the United Kingdom. If, however, the Company were to be such that it would be close if resident in the United Kingdom, gains accruing to it may be apportioned to certain United Kingdom resident Shareholders who may thereby become chargeable to capital gains tax, or corporation tax, on chargeable gains on the gains apportioned to them.

### **Miscellaneous**

- The Class A Shares in the Schwab U.S. Dollar Liquid Assets Fund have been admitted to listing on the Irish Stock Exchange. However, there will be no market maker in the Shares. Shareholders may be able to realise their investment in the Shares only through the redemption of their Shares by the Company as described in "Redeeming Shares" in the Prospectus and "Redemptions" in the relevant Supplement or through separate agreement with your securities broker or financial intermediary.

- The Shares issued to investors in the Company will be denominated in U.S. dollars and not pounds sterling. Changes in rates of currency exchange may have an adverse effect on the value, price, or income of the investment.
- The price and value of the Shares and any income from them can fluctuate and may move against the investor's interest, and an investor may get back less than he invested. Notwithstanding the foregoing, Schwab U.S. Dollar Liquid Assets Fund intends to maintain a stable net asset value per Share of U.S. \$1.00, although there is no guarantee it will be able to do so.
- Investment in the Company may not be suitable for all investors. This document should not be regarded as a recommendation to buy, sell or otherwise maintain any particular investment or shareholding. Investors needing advice should consult an appropriate financial adviser. References should in particular be made to the sections headed "Investment Objectives and Policies", "Use of Financial Derivative Instruments and Fund Investment Techniques", and "Investment Risks" in the Prospectus and the sections headed "Investment Objectives and Policies", "Investment Restrictions" and "Investment Risks" in the relevant Supplement.
- Charles Schwab & Co., Inc. or companies associated with Charles Schwab & Co., Inc. will or may provide investment and shareholder services for the Company, but do not have any beneficial holding in any Shares of the Company. However, such companies may themselves hold or subsequently acquire Shares, as holder of record or nominee for customers or otherwise. Save as disclosed herein and in the Prospectus, no commissions, discounts, brokerages, or other special terms have been granted or are payable by the Company in connection with the issue or sale of Shares and no officer or director of the Company has an interest, direct or indirect, in the promotion of the Company or in any property proposed to be acquired by the Company.
- The Company does not have a place of business in the United Kingdom and is not authorised under the FSMA. As against the Company, and any overseas agent thereof who is not authorised to carry on investment business in the United Kingdom, a United Kingdom investor will not benefit from the following rights designed to protect investors under the rules of The Financial Services Authority; the Financial Services Compensation Scheme; access to the Financial Ombudsman and their Arbitration Scheme. Please contact Charles Schwab, U.K., Limited Compliance Dept., 10 King William Street, London EC4N 7TW, England regarding complaints or requests for documents.
- Investors purchasing Shares in the Company will generally have no rights of cancellation under the FSMA. If any transaction attracts cancellation rights, Charles Schwab, U.K. Limited will forward to the investor a cancellation notice in accordance with the above rules.
- The Directors have, and may exercise, rights under the Articles or otherwise to compulsorily redeem Shares issued, sold, or transferred to, or owned by, certain U.S. Persons (as defined in the Prospectus). These rights may extend to any person who becomes a U.S. Person.
- Levels and bases of taxation in relevant jurisdictions are subject to change. For a discussion of United Kingdom taxation, see above.

## *General*

### **Conflicts of interest**

The Manager, the Custodian, the Administrator and the Investment Manager may from time to time act as manager, registrar, administrator, trustee, custodian, investment manager, adviser or distributor in relation to, or be otherwise involved in, other funds or collective investment schemes which have similar investment objectives to those of the Company or any Fund. It is, therefore, possible that any of them may, in the due course of their business, have potential conflicts of interests with the Company or any Fund. Each will at all times have regard in such event to its obligations under the Memorandum and Articles of Association of the Company and/or any agreements to which it is party or by which it is bound in relation to the Company or any Fund and, in particular, but without limitation to its obligations to act in the best interests of the Shareholders when undertaking any investments where conflicts of interest may arise and will endeavour to ensure that such conflicts are resolved fairly and, in particular, the Investment Manager has agreed to act in a manner which it in good faith considers fair and equitable in allocating investment opportunities to the Company. The Articles provide that the Administrator may accept the estimate of a competent person when determining the probable realisation value of unlisted securities. The Administrator may accept an estimate provided by the Investment Manager or any other affiliate of the Manager for these purposes and investors should be aware that in these circumstances a possible conflict of interest may arise as the higher the estimated probable realisation value of the security, the higher the fees payable to the Manager.

There is nothing to prevent the Custodian or its associates from dealing as principal in the sale or purchase of assets to or from the Company, or from acting as custodian and/or trustee in any other

capacity for other clients, or from buying, holding and dealing in any assets for its own account or for the account of any client notwithstanding that similar or the same assets may be held or dealt in by or for the account of the Company. The Custodian shall not be deemed to be affected by notice of, or to be under any duty to disclose to the Company, information which has come into its or its associates' possession as a result of any such arrangements. Neither the Custodian nor any of its associates shall be liable to account to the Company for any profits or benefits made or derived by or in connection with any such transaction. However, any such transactions must be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interest of Shareholders. Transactions permitted are subject to (a) certified valuation by a person approved by the Custodian as independent and competent; (b) execution on best terms on organised investment exchanges under their rules; or (c) where (a) and (b) are not practical, execution on terms which the Custodian is satisfied conform to the principle of execution on normal commercial terms negotiated at arm's length. The Custodian may hold funds for the Company subject to the provisions of the Central Banks Act 1942 to 1989.

A Director may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is interested, provided that he has disclosed to the Directors prior to the conclusion of any such transaction or arrangement the nature and extent of any material interest of his therein. Unless the Directors determine otherwise, a Director may vote in respect of any contract or arrangement or any proposal whatsoever in which he has a material interest, having first disclosed such interest. At the date of this Prospectus other than as disclosed below, no Director or any connected person of any Director has any interest, beneficial or non-beneficial, in the share capital of the Company or any

material interest in the Company or in any agreement or arrangement with the Company except that one or more of the Directors may hold Subscriber Shares. The Directors shall endeavour to ensure that any conflict of interest is resolved fairly.

Mr. Merk and Mr. Pereira are officers of The Charles Schwab Corporation, which is the ultimate parent of the Manager, the Investment Manager, the U.K. Facilities Agent and the Hong Kong Representative. Mr. Pereira is also an officer of the Investment Manager. The Directors may also serve as directors of other collective investment schemes or may be directors or shareholders of other companies in which the Company invests.

In selecting brokers to make purchases and sales for the Company, the Investment Manager will choose those brokers who provide best execution to the Company. In determining what constitutes best execution, the Investment Manager may consider a number of factors, including, for example, the over-all economic result of the Company (price of commission plus other costs), clearance, settlement, reputation, the efficiency of the transaction and error resolution, the broker's ability to effect the transaction if a large block is involved, availability of the broker for difficult transactions in the future, order of call, other services provided by the broker such as research and the provision of statistical and other information and the financial strength and stability of the broker. In managing the assets of the Company, the Investment Manager may receive certain research and statistical and other information and assistance from brokers. The Investment Manager may allocate brokerage business to brokers who have provided such research and assistance to the Company and/or other accounts for which the Investment Manager exercises investment discretion. The brokerage rates payable to such brokers shall not be in excess of customary institutional full service brokerage rates. The benefits

provided under any soft commission arrangements must assist in the provision of investment services to the Company and any such soft commission arrangements will be disclosed in the periodic reports of the Company. No cash rebates will be retained by the Investment Manager or any of its affiliates.

## **Meetings**

At least one general meeting of the Company shall be held in each year as the Company's annual general meeting. At least twenty-one days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) shall be given to Shareholders. The notice shall specify the place, day and hour of the meeting and the terms of the resolutions to be proposed. A proxy may attend on behalf of any Shareholder. The voting rights attached to the Shares are set out under the heading "Voting Rights" in this Prospectus.

## **Reports and accounts**

The Directors shall cause to be prepared an annual report and audited annual accounts for the Company and each Fund for the period ending 31 December in each year. The most recent annual report and audited accounts covered the period from 1 January 2006 to 31 December 2006. These annual reports will be filed with the Financial Regulator and the Companies Announcements Office of the Irish Stock Exchange within four months of the end of the relevant accounting period and will be circulated to Shareholders as soon as possible thereafter, and in any event at least twenty one days before the annual general meeting. In addition, the Directors shall cause to be prepared a half-yearly report covering the period from 1 January to 30 June each year which shall include unaudited half-yearly accounts for the Company and each Fund. Half-yearly reports for each Fund will be filed with the Financial Regulator and the Companies Announcements Office of the Irish

Stock Exchange within two months of the end of the relevant accounting period and will be circulated to Shareholders in the relevant Fund as soon as possible thereafter. The most recent half-yearly report covered the period from 1 January 2007 to 30 June 2007. The annual report and the half-yearly report may be sent to Shareholders by electronic mail or other electronic means of communication where Shareholders have elected to receive the reports by such methods. Shareholders are also entitled to receive reports by hard copy mail on request.

### **Directors' report**

The Directors confirm that the Company was incorporated in Ireland on 8 February 1999.

### **Winding up**

The Articles contain provisions to the following effect:

- (a) If the Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims. The liquidator shall, in relation to the assets available for distribution among the Shareholders, make in the books of the Company such transfers thereof to and from Funds as may be necessary in order that the effective burden of such creditors' claims may be shared between the holder of Shares of different classes in such proportions as the liquidator in his absolute discretion may think equitable.
- (b) The assets available for distribution among the Shareholders shall then be applied in the following priority:
  - (i) First, in the payment to the holders of the Shares of each series of a sum in the currency in which that series is designated (or in any other currency selected by the liquidator) as nearly as possible equal (at a rate of exchange determined by the liqui-

dator) to the Net Asset Value of the Shares of such series held by such holders respectively as at the date of commencement to wind up provided that there are sufficient assets available in the relevant Fund to enable such payment to be made. In the event that, as regards any series of Shares, there are insufficient assets available in the relevant Fund to enable such payment to be made recourse shall be had:

- (1) first, to the assets of the Company not comprised within any of the Funds; and
  - (2) secondly, to the assets remaining in the Funds for the other series of Shares (after payment to the holders of the Shares of the series to which they relate of the amounts to which they are respectively entitled under this paragraph (i)) pro rata to the total value of such assets remaining within each such Fund.
- (ii) Secondly, in the payment to the holders of the Subscriber Shares of sums up to the nominal amount paid thereon out of the assets of the Company not comprised within any Funds remaining after any recourse thereto under sub-paragraph (i)(1) above. In the event that there are insufficient assets as aforesaid to enable such payment in full to be made, no recourse shall be had to the assets comprised within any of the Funds.
  - (iii) Thirdly, in the payment to the holders of each series of Shares of any balance then remaining in the relevant Fund, such payment being made in proportion to the number of Shares of that series held.

- (iv) Fourthly, in the payment to the holders of the Shares of any balance then remaining and not comprised within any of the Funds, such payment being made in proportion to the number of Shares held.
- (c) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Acts of Ireland, divide among the Shareholders in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator shall if any Shareholder so requests liquidate or otherwise dispose of sufficient assets in order to enable the liquidator to distribute the cash proceeds thereof, net of all fiscal duties and charges incurred in connection with the sale of such underlying investments, to the Shareholder in question. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Shareholder shall be compelled to accept any assets in respect of which there is liability.

### **Material contracts**

The following contracts, which are summarised in the “Management and administration” and “Fees and

expenses” sections in this Prospectus, have been entered into and are, or may be, material:

- (a) Management Agreement dated 28 April 1999 between the Company and the Manager pursuant to which the Manager was appointed to provide management, administrative and distribution services to the Company;
- (b) Administration Agreement dated 28 April 1999 between the Company, the Manager and the Administrator pursuant to which the Administrator was appointed to provide administration, accounting and Shareholder registration and transfer agency services to the Company;
- (c) Custodian Agreement dated 28 April 1999 between the Company, the Manager and the Custodian pursuant to which the Custodian has been appointed as custodian of the Company’s assets; and
- (d) Investment Management Agreement dated 28 April 1999 between the Manager and the Investment Manager pursuant to which the Investment Manager has been appointed to provide investment management and advisory services to the Company.

### **Documents for inspection**

Copies of the following documents may be inspected at the Company’s registered office at Styne House, Upper Hatch Street, Dublin 2, Ireland during normal business hours on any day on which the Administrator is open for business:

- (a) the material contracts referred to above;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the UCITS Regulations; and
- (d) the latest published annual and half-yearly reports and audited and unaudited accounts of the Company.

Copies of the Memorandum and Articles of Association and of any annual or half-yearly reports may be obtained from the Administrator free of charge.

# *Charles Schwab Worldwide Funds plc*

## **Supplement No. 1**

21 December 2007

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Schwab U.S. Dollar  
Liquid Assets Fund

### ***Schwab U.S. Dollar Liquid Assets Fund***

(A sub-fund of Charles Schwab Worldwide Funds plc, which is an investment company with variable capital constituted as an umbrella fund under the laws of Ireland and authorised by the Irish Financial Services Regulatory Authority pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 and regulated pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

This Supplement forms part of, and should be read in conjunction with, the Prospectus dated 21 December 2007 (the “Prospectus”) in relation to Charles Schwab Worldwide Funds plc (the “Company”) and contains information relating to the Schwab U.S. Dollar Liquid Assets Fund (the “Fund”), which is a separate portfolio of the Company, represented by the Schwab U.S. Dollar Liquid Assets Fund series of shares in the Company (the “Shares”).

Shares issued in the Fund are admitted to the Official List of the Irish Stock Exchange. The Directors do not anticipate that an active secondary market will develop in the Shares.

The directors of Charles Schwab Worldwide Funds plc (the “Directors”) listed in the “Management and administration” section of the Prospectus, accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit any material information likely to affect the import of such information. The Directors accept responsibility accordingly.

*charles* SCHWAB

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## *Definitions*

Words and terms defined in the Prospectus have the same meaning in this Supplement unless otherwise stated herein.

For the purposes of Share dealings and valuations of the Fund, “Business Day” shall mean a day on which both the New York Stock Exchange is open for regular trading and the Federal Reserve Bank of New York is open, or such other day or days (except Saturday, Sunday or any public holiday in New York) as may be determined by the Directors. “Valuation Point” shall mean the close of trading on the New York Stock Exchange on each Business Day, generally 4:00 p.m. (U.S. Eastern Time).

For the purposes of this Supplement, a “Recognised Rating Agency” shall mean Moody’s Investor Service, Standard & Poor’s Corporation, Duff & Phelps Credit Rating Co., Fitch IBCA or an equivalent rating agency.

For the purposes of this Supplement, a “Recognised Market” shall mean any of the exchanges or markets listed in Appendix I.

There is currently one class of Shares available for subscription in the Fund, the Class A Shares.

## *Investment objectives and policies*

The Fund seeks to provide current income while maintaining liquidity and a stable Net Asset Value per Share of U.S. \$1.00. The Fund will seek to achieve this objective by investing principally in U.S. dollar-denominated, high-quality short-term money market securities traded primarily in the U.S. such as securities backed by the full faith and credit of the U.S. government, securities issued by U.S. government agencies, or securities issued by corporations and financial institutions. There is no assurance that the

Fund will be able to maintain a stable Net Asset Value per Share of U.S. \$1.00 or otherwise meet its investment objectives.

The investment objectives and material investment policies of the Fund will not be altered without the approval of the Shareholders by ordinary resolution.

In seeking to achieve its investment objectives, the Fund will invest in securities or instruments which have a remaining maturity of 397 days or less and will seek to maintain an average U.S. dollar-weighted portfolio maturity of 90 days or less.

The general categories of short-term securities or instruments in which the Fund invests are described below.

### **U.S. Government debt securities**

The Fund may invest in securities, including bills, bonds or notes, issued or guaranteed by the U.S. government, by various agencies of the U.S. government, and by various instrumentalities which have been established or sponsored by the U.S. government.

U.S. Treasury Securities are backed by the “full faith and credit” of the United States government. Securities issued or guaranteed by Federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the United States. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitment. However, it is not intended to invest in any such securities unless they are investment grade securities.

Some of the U.S. government agencies that issue or guarantee securities include the Export-Import Bank of the United States, the Farmers Home Administration, the Federal Housing Administration, the Maritime Administration, the Small Business Administration and the Tennessee Valley Authority.

An instrumentality of the U.S. government is a government agency organised under Federal charter with government supervision. Instrumentalities issuing or guaranteeing securities include, among others, Federal Home Loan Banks, the Federal Land Banks, the Central Bank for Cooperatives, Federal Intermediate Credit Banks, and the Federal National Mortgage Association.

The Fund may invest in zero coupon Treasury securities which may be issued by the U.S. government, its agencies or instrumentalities and which are purchased at a substantial discount from their face value. Zero coupon Treasury securities generally are U.S. Treasury notes and bonds that have been “stripped” of their interest coupons, U.S. Treasury bills without interest coupons, or certificates representing interests in the stripped securities. They are subject to greater fluctuations in market value when interest rates change than debt securities that pay interest periodically. The Fund accrues interest on zero coupon bonds even though cash is not actually received.

### **Bank obligations**

The Fund may invest in negotiable certificates of deposit (issued by banks in large denominations) and bankers’ acceptances (credit instruments guaranteed by a bank) which are High-Quality Securities. Generally, “High-Quality Securities” are securities that are rated in one of the two highest rating categories by two Recognised Rating Agencies, or by one if only one Recognised Rating Agency has rated the securities, or, if unrated, determined to be of comparable quality by the Investment Manager pursuant to

guidelines adopted by the Board of Directors. High-Quality Securities may be “first tier” or “second tier” securities. First tier securities are rated within the highest category and second tier securities are rated within the second-highest category. In general the Fund intends to invest the majority of its assets in first tier securities. Should a security’s high-quality rating change after purchase by a Fund, the Investment Manager would take such action, including no action, as determined to be in the best interest of the Fund, provided that no more than 5% of the Fund’s Net Asset Value will be invested in below investment grade securities.

The Fund may also invest in Eurodollar and Yankee obligations which are certificates of deposit issued in U.S. dollars by non-U.S. banks and non-U.S. branches of U.S. banks. Eurodollar and Yankee obligations have the same risks, such as income risk and credit risk, as U.S. money market securities. Other risks of Eurodollar and Yankee obligations include the possibility that a government will not let U.S. dollar-denominated assets leave the country; the possibility that the banks that issue Eurodollar obligations may be subject to an inadequate degree of regulation; and the possibility that adverse political or economic developments will affect investments in a particular country. Before the Investment Manager selects a Eurodollar or Yankee obligation however, any relevant issuer undergoes the same credit-quality analysis and tests of financial strength as the issuers of U.S. securities.

### **Commercial paper**

The Fund may invest in commercial paper which are High-Quality Securities as described above under “Bank Obligations”. Commercial paper consists of short-term promissory notes issued by banks, corporations and other institutions to finance short-term credit needs. These securities generally are discounted but sometimes may be interest bearing. Commercial

paper, which also may be unsecured, is subject to credit risk.

### **Promissory notes**

The Fund may invest in promissory notes which are freely transferable, High-Quality Securities as described above under “Bank Obligations”.

Promissory notes are written agreements committing the maker or issuer to pay the payee a specified amount either on demand or at a fixed date in the future, with or without interest. These are sometimes called negotiable notes or instruments and are subject to credit risk. Bank notes are notes used to represent debt obligations issued by banks in large denominations.

### **Asset-backed securities**

The Fund may invest in securities that are backed by the loans or accounts receivable of an entity, such as a bank or credit card company. These securities are typically commercial paper (short-term loans), which the issuer intends to repay using the assets backing them (once collected). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities. Sometimes the credit support for these securities is limited to the underlying assets, but, in other cases, may be provided by a third party via a letter of credit or insurance guarantee. Asset backed securities are subject to credit and prepayment risks.

Asset backed securities are secured or backed by assets and are sponsored by such institutions as finance companies, finance subsidiaries of industrial companies and investment banks. Asset-backed securities include securities backed by assets such as motor vehicle installment sale contracts, other installment sale contracts, home equity loans, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements. Such assets are securitised through the use of trusts or

special purpose corporations. Payments or distributions of principal and interest may be guaranteed up to a certain amount and for a certain period of time by a letter of credit or pool insurance issued by a financial institution unaffiliated with the issuer, or other credit enhancements may be present.

### **Other short-term debt securities**

The Fund may also invest in other short-term debt securities (including zero coupon securities and asset backed securities) which are High-Quality Securities as described above under “Bank Obligations”.

### **Other short-term government, municipal and corporate debt obligations**

The Fund may also invest in short-term government, municipal and corporate obligations whether issued as bonds, notes or other debt securities which are High-Quality Securities as described above under “Bank Obligations”.

### **Floating rate/variable rate notes**

The Fund may purchase notes with floating or variable interest rates. Variable rates are adjustable at stated periodic intervals. Floating rates are adjusted automatically according to a specified market index for such investments, such as the prime rate of a bank.

### **Ancillary liquid assets**

The Fund may also hold or maintain ancillary liquid assets which may include time deposits, master demand notes, variable rate demand notes and short-term funding agreements, subject to compliance with the UCITS requirement that no more than 10% of the Fund's Net Asset Value be held in ancillary liquid assets issued by the same issuer.

### **Master demand notes**

A master demand note is a note that permits investment of fluctuating amounts of money at

varying rates of interest pursuant to arrangements with issuers of the notes. The interest rate on a master demand note may fluctuate based upon changes in specified interest rates or be set periodically according to a prescribed formula or may be a set rate. Although there is no secondary market in master demand notes, such notes have a demand feature pursuant to which the payee may demand payment of the principal amount for the note on relatively short notice, which generally can vary from one to seven days. The Fund will only invest in master demand notes issued by highly rated institutions or subsidiaries of highly rated institutions.

### **Short-term funding agreements**

A short-term funding agreement is similar to a variable rate demand note insofar as it is an agreement which obligates the issuer, typically an insurance company, to pay a rate of interest on a principal sum deposited by the investor. The terms of the agreement specify, among other things, how long the funds will be placed with the issuer, the method for calculating the interest rate (which is usually a variable rate) and the frequency of change, and the terms of the put feature. The put (akin to a demand feature) obligates the issuer to pay the principal and accrued interest within a specified time after notice is given by the investor. The Fund will only enter into short-term funding agreements which have a fixed maturity of no greater than seven days with highly rated institutions or subsidiaries of highly rated institutions.

### **Use of Financial Derivative Instruments and Fund Investment Techniques**

The Fund may employ FDIs and fund investment techniques for efficient portfolio management purposes as described under “Use of Financial Derivative Instruments and Fund Investment Techniques” in the Prospectus. In particular, the Fund may enter into

repurchase agreements and reverse repurchase agreements. The efficient portfolio management purposes for which the Fund intends to employ FDIs and fund investment techniques are reduction of risk, reduction of cost and the generation of additional capital or income for the Fund with an appropriate level of risk, taking into account the risk profile of the Fund and the general provisions of the UCITS Directive.

### **Credit quality and ratings**

The credit quality of a money market security depends upon the issuer’s ability to pay interest on the security and ultimately to repay the debt. The lower the rating by one of the Recognized Rating Agencies, the greater the chance (in the rating agency’s opinion) the security’s issuer will default or fail to meet its payments obligations. Direct U.S. Treasury obligations (i.e. securities backed by the U.S. government) carry the highest credit ratings. Generally, money market securities with greater credit risk offer higher yields.

### **Short-term debt ratings**

#### ***Moody’s Investors Service***

Prime-1 is the highest commercial paper rating assigned by Moody’s. Issuers (or related supporting institutions) of commercial paper with this rating are considered to have a superior ability to repay short-term promissory obligations. Issuers (or related supporting institutions) of securities rated Prime-2 are viewed as having a strong capacity to repay short-term promissory obligations. This capacity normally will be evidenced by many of the characteristics of issuers whose commercial paper is rated Prime-1 but to a lesser degree.

#### ***Standard & Poor’s Corporation***

A Standard & Poor’s Corporation (“S&P”) A-1 commercial paper rating indicates a strong degree of safety regarding timely payment of principal and

interest. Issues determined to possess overwhelming safety characteristics are denoted A-1+. Capacity for timely payment on commercial paper rated A-2 is satisfactory, but the relative degree of safety is not as high as for issues designated A-1.

#### ***Duff & Phelps Credit Rating Co.***

Duff-1 is the highest commercial paper rating assigned by Duff. Three gradations exist within this rating category. A Duff-1+ rating indicates the highest certainty of timely payment (issuer short-term liquidity is found to be outstanding and safety is deemed to be just below that of risk-free short-term U.S. Treasury obligations), a Duff-1 rating signifies a very high certainty of timely payment (issuer liquidity is determined to be excellent and risk factors are considered minor) and a Duff-2 rating denotes high certainty of timely payment (issuer liquidity factors are strong and risk is very small). A Duff-2 rating indicates a good certainty of timely payment. Liquidity factors and company fundamentals are sound and risk factors are small.

#### ***Fitch IBCA***

F1+ is the highest category, and indicates the strongest degree of assurance for timely payment. Issues rated F1 reflect an assurance of timely payment only slightly less than issues rated F1+. Issues assigned an F2 rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as for issues in the first two rating categories.

#### ***Thomson Bankwatch (TBW)***

TBW-1 is the highest category and indicates the degree of safety regarding timely repayment of principal and interest is very high. TBW-2 is the second-highest category and while the degree of safety regarding timely repayment of principal and interest is strong, the relative degree of safety is not as high as for issues rated TBW-1.

## **Long-term debt ratings**

### ***Moody's Investors Service***

Moody's rates the bonds it judges to be of the best quality AAA. These bonds carry the smallest degree of investment risk and generally are referred to as "gilt edge". Interest payments are protected by a large or exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualised are most unlikely to impair the fundamentally strong position of these issues. Bonds carrying an AA designation are deemed to be of high quality by all standards. Together with AAA rated bonds, they comprise what are generally known as high-grade bonds. AA bonds are rated lower than the best bonds because they may enjoy relatively lower margins of protection, fluctuations of protective elements may be of greater amplitude or there may be other factors present that make them appear to be subject to somewhat greater long-term risks. A rated bonds are considered as upper-medium grade obligations as they possess many favourable investment attributes. Bonds designated BAA are considered medium grade in that they are not highly protected nor poorly secured. Interest payments and principal security appear to be adequate at the present, but they may lack certain protective elements or be characteristically unreliable over any great length of time. BAA bonds do not have any outstanding investment characteristics and do have speculative characteristics.

### ***Standard & Poor's Corporation***

AAA is the highest rating assigned by S&P to a bond and indicates the issuer's extremely strong capacity to pay interest and repay principal. An AA rating denotes a bond whose issuer has a very strong capacity to pay interest and repay principal and differs from an AAA rating only in small degree. A ratings are given to debt that has a strong capacity to pay interest and repay principal but is somewhat more

susceptible to adverse effects of changes in circumstances and economic conditions than higher-rated debt. BBB debt indicates the issuer is regarded by S&P as having an adequate capacity to pay interest and repay principal. These securities appear to have adequate protection, however adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal in this category than in higher categories.

#### ***Duff & Phelps Credit Rating Co.***

Duff confers an AAA designation to bonds of issuers with the highest credit quality. The risk factors associated with these bonds are negligible, being only slightly more than for risk-free U.S. Treasury debt.

AA rated bonds are of high credit quality and have strong protection factors. The risks associated with them are modest but may vary slightly from time to time because of economic conditions. An A rating indicates that the protection factors are average but adequate. The risk factors, however, are more variable and greater in periods of economic stress. BBB rated debt has protection factors that are below average but still sufficient for prudent investment. There is considerable variability in the risk of BBB rated debt during economic cycles.

#### ***Fitch IBCA***

AAA is the highest rating Fitch assigns to bonds, and indicates the issuer's exceptionally strong ability to pay interest and repay principal. Bonds that Fitch considers of very high credit quality, and the issuer's ability to pay interest and repay principal is very strong, although not as strong as AAA, is rated AA. An A rating is given to show high credit quality and the issuer's ability to pay interest and repay principal is strong, but there is more vulnerability to economic conditions and circumstances than higher rated debt. BBB bonds are considered investment grade, where the issuer has adequate ability to pay interest and

repay principal. Bonds rated BBB are more susceptible to adverse changes in economic conditions and circumstances, thus these bonds are more likely to fall below investment grade or have the timeliness of their payments impaired.

### **Short-term notes and variable rate demand obligations**

#### ***Moody's Investors Service***

Short-term notes/variable rate demand obligations bearing the designations MIG-1/VMIG-1 are considered to be of the best quality, enjoying strong protection from established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing. Obligations rated MIG2/VMIG-3 are of high quality and enjoy ample margins of protection although not as large as those of the top rated securities.

#### ***Standard & Poor's Corporation***

An S&P SP-1 rating indicates that the subject securities' issuer has a strong capacity to pay principal and interest. Issues determined to possess very strong safety characteristics are given a plus (+) designation. S&P's determination that an issuer has a satisfactory capacity to pay principal and interest is denoted by an SP-2 rating.

### ***Investment restrictions***

The assets of the Fund will be invested in accordance with the concentration and other restrictions imposed under the UCITS Regulations and summarised in the "Investment objectives and policies" section of the Prospectus.

### ***Investment risks***

Investment in the Fund carries with it a degree of risk including, but not limited to, the risks described in the "Investment risks" section of the Prospectus and

those referred to below. These investment risks are not purporting to be exhaustive and potential investors should review the Prospectus and this Supplement carefully before making an application for Shares. The value of investments in the Fund, and income earned from them, can go down as well as up and an investor may not recover the amount invested. There can be no assurance that the Fund will be able to maintain a stable Net Asset Value per Share of U.S. \$1.00 or otherwise achieve its investment objective.

### **Income risk**

The Fund invests in short-term securities whose performance is closely correlated to short-term interest rates. Historically, short-term interest rate fluctuations have been influenced by government monetary policy and by markets' growing demand. The Fund is subject to income risk, which is the possibility that dividends (i.e. income) will decline because of falling interest rates. Because the Fund's income is based on short-term interest rates which can fluctuate significantly over short periods, income risk is expected to be high.

### **Credit risk**

The Fund is subject to a limited extent to credit risk, which is the possibility that the issuer of a security will be unable to repay interest and principal in a timely manner. While the credit quality of government securities is high, the Fund invests in money market securities of private financial and non-financial corporations and, accordingly, not all of the securities in which it invests are issued or guaranteed by sovereign governments or government agencies.

### **Floating rate securities**

The Fund may invest in floating rate securities whose interest rates are not set but which fluctuate periodically. These securities reset their yield on a periodic

basis (for example, daily, weekly or quarterly) and are closely correlated to changes in money market interest rates. These securities may be subject to price volatility due to such factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and the general market liquidity.

### **Fixed income securities**

The fixed-income securities in which a Fund may invest are interest rate sensitive and may be subject to price volatility due to such factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these fluctuations will normally be greater when the maturity of the outstanding securities is longer. An increase in interest rates will generally reduce the value of fixed-income securities, while a decline in interest rates will generally increase the value of fixed-income securities. The performance of a Fund which invests in fixed income securities will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns, while attempting to minimise the associated risks to investment capital.

### **Portfolio turnover**

Because of the short-term nature of portfolio securities, the turnover rate for the Fund is expected to be high. The turnover rate should not increase portfolio costs however, since brokerage commissions are not usually charged for the purchase or sale of short-term fixed income securities.

## *Subscriptions*

Shares in the Fund are available for subscription on each Business Day at their Net Asset Value per Share,

which the Company will seek to maintain at U.S. \$1.00 per Share.

Shares will be issued at the next determined Net Asset Value per Share after receipt and acceptance by the Administrator of a request for subscription. Subscription requests must be received by the Administrator by 10:00 a.m. (U.S. Eastern Time), or such other time as the Directors may from time to time determine in order to be issued as of the next Net Asset Value per Share. In addition, subscription monies must be received by the Custodian in immediately available funds by 4:00 p.m. (U.S. Eastern Time), or such other time as the Directors may from time to time determine (the “Dealing Deadline”). Applications and/or subscription monies received after that time will be treated as being received on the next Business Day. On any day that the New York Stock Exchange, Federal Reserve Bank of New York or principal or government securities markets close early such as days in advance of holidays, the Fund reserves the right to advance the time of the close of the relevant Business Day.

Applications for Shares received during any period when the Share dealings have been temporarily suspended in the circumstances described in the “Suspension of dealings” section of the Prospectus will be treated as received on the first Business Day after dealings have recommenced, unless such application has been withdrawn during the period of suspension.

The address of the Administrator is:

SEI Investments – Global Fund Services Limited  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

Shareholders whose Shares are held in a Charles Schwab securities brokerage account may select to have free credit balances in their securities brokerage

account invested automatically in Shares of the Fund. Free credit balances in their securities brokerage accounts as of 8:00 p.m. (U.S. Eastern Time) will be invested in Shares of the Fund on the next Business Day unless a different time is established in documentation relating to their securities brokerage account.

The base currency of the Fund is U.S. Dollars. The minimum subscription amount for the Fund is U.S. \$1.00. There is no minimal shareholding requirement.

## *Redemptions*

The Fund redeems the Shares at their next determined Net Asset Value per Share. Redemption requests must be received in proper form and are only effective upon acceptance by the Administrator. Shares may be redeemed on any Business Day by way of facsimile or other written communication to the Administrator at the address specified in the “Subscriptions” section above, provided that the relevant redemption request is received by the Administrator no later than 10:00 a.m. (U.S. Eastern Time) or such other time as the Directors may from time to time determine, on the relevant Business Day. Redemption requests received after that time will be treated as being received on the following Business Day.

Generally, for Shareholders whose Shares are held in a Charles Schwab securities brokerage account, redemption requests received before 10:00 a.m. (U.S. Eastern Time) will be redeemed on that Business Day and become immediately available funds in the securities brokerage accounts by 4:00 p.m. (U.S. Eastern Time). Redemption requests must specify the Shareholder’s full name, address and Shareholder number and the number or U.S. Dollar amount of Shares to be redeemed.

Redemption proceeds which are paid by way of redemption monies will be sent within 10 Business

Days after the Business Day on which redemption is effected.

Shareholders of the Fund are not subject to a sales charge, a transaction fee, a redemption fee or an exchange fee, notwithstanding that the Directors may, at their discretion, charge a redemption fee and an exchange fee as provided in the Prospectus under “Exchange Privilege”. In the event that the Directors determine to implement any such fees or charges in respect of any Shares of the Fund then in issue, the Shareholders will be given at least 3 months’ prior notice of the implementation.

## *Dividend policy*

All or substantially all of the Fund’s net investment income will be calculated and declared each Business Day as a dividend denominated in U.S. dollars. Dividends will be distributed to Shareholders as of the fifteenth day (or, if not a Business Day, on the next Business Day) of each month (except in December when dividends are paid on the last Business Day of the month) in the form of additional full and fractional Shares, unless a Shareholder has elected to receive dividends paid in cash to his securities brokerage account.

For Subscription requests received by 10:00 a.m. (U.S. Eastern Time), and subscription monies received by the Dealing Deadline, Shares begin receiving dividends that day. For redemption requests received and accepted before 10:00 a.m. (U.S. Eastern Time), Shares will be redeemed the same Business Day but will not be entitled to that day’s dividends, and proceeds will be distributed the same Business Day. The Fund’s net investment income consists of the aggregate of (a) accrued interest or discount (including both original issued and market discount on taxable securities) on portfolio securities; and (b) any income of the Fund from sources other than capital gains, less (i) the amortisation of market

premium on all portfolio securities and (ii) the estimated expenses of the Fund, including a proportionate share of the general expenses of the Company. The Directors may declare dividends in respect of any Shares out of net income (including interest income) and the excess of realised and unrealised capital gains over realised and unrealised losses in respect of investments of the Company. Although realised gains and losses on the assets of the Fund are reflected in its Net Asset Value, they are not expected to be of an amount which would affect the Fund’s Net Asset Value per Share of U.S. \$1.00. The Company will adhere to the policies of the Irish Stock Exchange relating to distributions for so long as the Shares are listed on the Official List of the Irish Stock Exchange.

## *Fees and expenses*

Investors should read this section in conjunction with the section headed “Fees and expenses” in the Prospectus. The Manager may receive a management fee of up to 1.00% per annum of the Fund’s average daily Net Asset Value attributable to the Class A Shares (plus value added tax, if any, thereon) accrued daily and payable monthly in arrears as of the last Business Day of each month. The Manager shall also be entitled to be reimbursed for all reasonable out-of-pocket expenses incurred for the benefit of the Fund. The Manager shall be responsible for paying the fees and expenses (plus value added tax, if any, thereon) of, the Administrator and the Investment Manager out of its own management fee.

The Custodian may receive a custodian fee of up to 0.03% per annum of the Fund’s average daily Net Asset Value attributable to the Class A Shares (plus value added tax, if any, thereon) accrued daily and payable monthly in arrears as of the last Business Day of each month in addition to any transaction related charges ranging approximately from U.S. \$10 to U.S. \$150 per transaction depending on the location

and the type of securities dealt in. The Custodian shall also be entitled to be reimbursed for all reasonable out-of-pocket expenses incurred for the benefit of the Fund.

The Management Agreement provides that the Manager may voluntarily undertake to reduce or waive its management fee or to make other arrangements to reduce expenses of the Fund to the extent that such expenses exceed such lower expense limitation as the Manager may, by notice to the Company, voluntarily declare to be effective. The Manager has currently undertaken to limit the aggregate annual operating expenses of the Fund attributable to the Class A Shares, including the management fee, and custody and sub-custody fees which will be at normal commercial rates, but excluding interest, taxes (including any withholding tax applicable to portfolio securities or distributions to Shareholders and the

costs associated therewith), transaction charges, brokerage commissions, insurance premiums, the costs associated with registering the Company, the Fund or the Class A Shares with any governmental or regulatory authority or with any stock market or other Recognised Market and extraordinary expenses, to 1.00% per annum of the average daily Net Asset Value of the Shares. It is estimated that the proportion of this fee cap currently attributable to the management fee is 0.97% per annum of the average daily Net Asset Value of the Shares. The Manager may terminate or modify this voluntary undertaking at any time at its sole discretion upon notice in writing to the Company.

It is not currently anticipated that any Duties and Charges beyond transaction charges commonly incurred in transactions in the relevant securities would be imposed.

# *Appendix I*

## **Recognised Markets**

The following is a list of the Recognised Markets in which the Fund may invest:

1. Nasdaq in the United States.
2. The market in the U.S. government securities conducted by the primary dealers regulated by the Federal Reserve Bank of New York.
3. The over-the-counter market in the United States conducted by primary dealers and secondary dealers regulated by the Securities and Exchange Commission and the National Association of Securities Dealers and by banking institutions regulated by the US Comptroller of Currency, the Federal Reserve System or Federal Deposit Insurance Corporation.
4. Any stock exchange in the United States.
5. In the case of an investment in financial derivative instrument, in any derivative market approved in a member state of the European Economic Area (with the exception of Cyprus and Liechtenstein) and the following exchanges or markets:

American Stock Exchange, Chicago Mercantile Exchange, Chicago Board of Options Exchange, Chicago Board of Trade, Kansas City Board of Trade, Mid-American Commodity Exchange, Minneapolis Grain Exchange, New York Board of Trade and New York Mercantile Exchange.

*Charles Schwab*  
*Worldwide Funds plc*

**Prospectus & Supplement**

21 December 2007

Schwab U.S. Dollar Liquid Assets Fund