THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser duly authorised under the Financial Services and Markets Act 2000 without delay.

Prospective investors' attention is drawn to pages 7 to 12 of this document, which set out the principal risk factors associated with an investment in Invesco Perpetual Select Trust plc.

A copy of this document, which comprises a prospectus in relation to Invesco Perpetual Select Trust plc prepared in accordance with the Listing Rules of the UK Listing Authority and the Prospectus Rules of the Financial Services Authority made pursuant to section 73A of the Financial Services and Markets Act 2000, has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

Application has been made to the UK Listing Authority and the London Stock Exchange for the share capital of Invesco Perpetual Select Trust plc, issued and to be issued in connection with the recommended proposals for the voluntary winding-up and reconstruction of Merrill Lynch Asset Allocator plc, to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that admission to the Official List will become effective, and that dealings in such Shares will commence, on 17 November 2006.

INVESCO PERPETUAL SELECT TRUST plc

(Incorporated under the Companies Act 1985 in England & Wales with registered number 5916642)

Issue of up to 200 million Shares in connection with the recommended proposals for the voluntary winding-up and reconstruction of Merrill Lynch Asset Allocator plc

Sponsor
Ernst & Young LLP

Manager
INVESCO Asset Management Limited

In connection with the Issue, Ernst & Young LLP, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for the Company and Merrill Lynch Asset Allocator plc and is not acting for any other person and will not be responsible to any person other than the Company and Merrill Lynch Asset Allocator plc for providing the protections afforded to customers of Ernst & Young LLP or for providing advice to them in relation to the Issue or any other matter referred to in this document.

No action has been taken to permit the distribution of this document or offer of the Shares (or any class thereof) in any jurisdiction other than the United Kingdom. Accordingly, this document may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Further information regarding overseas investors is set out in paragraph 12 of Part 4 of this document.

CONTENTS

	Page
SUMMARY	3
RISK FACTORS	7
EXPECTED TIMETABLE	13
DIRECTORS, MANAGER AND ADVISERS	14
PART 1 – DESCRIPTION OF THE COMPANY	15
Introduction	15
Investment objectives and policies	15
Investment philosophy and process	17
Investment outlook	19
Establishment of the Portfolios	20
Capital structure	21
Discount control	22
Duration	23
Further issues of Shares	23
Directors	23
The Manager	24
Fauchier Partners Group	24
Management arrangements	25
Other service providers	25
Fees and expenses	26
Shareholder information	26
The Scheme	26
Overseas investors	27
Settlement, dealings and CREST	27
Taxation	27
PART 2 – CHARACTERISTICS OF THE SHARES	29
PART 3 – TAXATION	44
PART 4 – GENERAL INFORMATION	46
DEFINITIONS	63
SUMMARY OF HEDGE FUND STRATEGIES	67

SUMMARY

This summary should be read as an introduction to the full text of this document and any decision to invest in the Company should be based on consideration of the full text of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor may, under the national legislation of an EEA state, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to the Company and its Directors who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

The Company

- The Company is a new investment trust, which has been established as a successor vehicle to Merrill Lynch Asset Allocator plc for the purposes of a scheme of reconstruction to be implemented by MLAA under section 110 of the Insolvency Act 1986.
- The Company will provide Shareholders with a choice of investment policies, each intended to generate attractive risk-adjusted returns from segregated portfolios.

Capital structure

- The Company's share capital is intended to include four main classes of shares, each of which will have its own separate portfolio of assets and attributable liabilities, namely:

  UK Equity Shares, the assets attributable to which will be invested primarily in quoted UK equities;

  Global Equity Shares, the assets attributable to which will be invested principally in global equities (including UK equities);

  Hedge Fund Shares, the assets attributable to which will be represented principally by debt securities the return on each of which will be directly linked to the performance of a diversified fund of hedge funds managed by Fauchier Partners Management; and

  Managed Liquidity Shares, the assets attributable to which will be invested in short-dated fixed interest instruments, either directly or indirectly through money market funds, including funds managed by Invesco Perpetual or its associated companies.

  The Company may also issue A Shares in connection with the Scheme if the value of elections for Hedge Fund Shares is less than the value of MLAA's assets represented by illiquid hedge fund investments.

- Shareholders will have the opportunity to convert some or all of their Shares (other than A Shares) into one or more other classes of Shares (other than A Shares) on 1 November 2007 and every 6 months thereafter. A Shares will be convertible once all or substantially all the hedge fund investments representing the A Share Portfolio have been realised. The Directors have been advised that conversion of one class of Shares into another will not be treated as a disposal for the purposes of UK capital gains tax.

- The Company will have an indefinite life and will not be subject to periodic continuation votes.

Investment objectives of the Portfolios

- The investment objectives of each of the Portfolios will be as follows:

  UK Equity Share Portfolio

  The investment objective of the UK Equity Share Portfolio will be to provide Shareholders with an attractive real long-term total return. Performance will be measured against the FTSE All-Share Index.

  Global Equity Share Portfolio

  The investment objective of the Global Equity Share Portfolio will be to deliver long-term capital growth. Performance will be measured against the MSCI World Index (in Sterling).

Hedge Fund Share Portfolio

The investment objective of the Hedge Fund Share Portfolio will be to achieve an absolute return of 3-month sterling LIBOR plus 6 per cent. per annum over a rolling 5-year period, coupled with low volatility. Capital preservation will be a priority.

Managed Liquidity Share Portfolio

The investment objective of the Managed Liquidity Share Portfolio will be to produce a high level of income combined with a high degree of security.

A Share Portfolio

The aim of the A Share Portfolio will be to liquidate any underlying hedge fund investments transferred from MLAA which are not attributable to the Hedge Fund Share Portfolio so as to enable the A Shares to be converted into other classes of Shares as soon as is practicable.

Investment outlook

Equity markets

- The Board, which has been advised by Invesco Perpetual, considers that economies and markets alike have benefited from a period of low interest rates in recent years, which has stimulated economic growth and asset classes such as equities and property. With the key Central Banks worldwide all now raising interest rates, tighter liquidity conditions suggest that the strong returns from equity markets in the last three years are unlikely to be repeated. At the same time, continuing geopolitical tensions and heightened uncertainty over the outlook for inflation and growth in the US and elsewhere have led investors to re-assess their appetite to risk. This prompted a correction in most equity markets in May and June, with the biggest falls being recorded in those asset classes perceived as being highest risk, such as emerging markets. In this more uncertain environment, with earnings revisions and leading economic indicators looking like they are peaking and with money becoming dearer, it is fair to say that the best period of the bull market has probably now been seen.

  This does not, however, mean that markets will not be able to make further progress over the rest of 2006. The market environment may be more uncertain than it was earlier in the year, but corporate fundamentals remain strong. Corporate free cash flows and balance sheets are solid, while valuations are reasonable – share prices have risen a lot over the past three years, but so have earnings. There is every chance that markets and companies can continue to make progress going forward.

Hedge funds

- The Board, which has been advised by Fauchier Partners, considers that the bull market of the last three years has seen an extended period of rising asset prices and ample liquidity resulting from loose monetary policy. Through most of 2005 and the early part of 2006, the environment for most hedge fund strategies has been generally favourable. Macro managers were able to take advantage of trending/directional markets and have posted strong gains over the period. As would be expected, Equity Long/Short managers performed well in such an environment; pleasingly, equity markets have become more discriminating and fundamental long/short stock pickers have benefited as a result. The bull market has seen corporate activity continue at an ever increasing rate; continued pressure on companies to consolidate and increase revenue through acquisition has provided opportunity for Event Driven managers to make money.

  Fears over inflation and possible rate rises saw large amounts of uncertainty entering global asset classes during May and June of 2006. Hawkish rhetoric from the Federal Reserve along with rate hikes from central banks in Europe, South Korea, India, Denmark and South Africa led to investors fearing a slowdown in global economic growth. Although sentiment has improved, there still remains a large amount of uncertainty in global asset classes.

  This macro uncertainty seems set to last into the latter part of 2006. However, once this has dissipated, the outlook for hedge funds in a conservative, balanced portfolio is positive. Such a portfolio is positioned to make money over the next 12 months but also to withstand a sell-off should it occur in credit markets or elsewhere. Favoured strategies continue to be Macro, Equity Long/Short and Event Driven.

Management arrangements

- The Company's manager will be INVESCO Asset Management Limited (Invesco Perpetual), which is the principal UK asset management subsidiary of AMVESCAP PLC, one of the world's largest independent quoted fund management groups. Invesco Perpetual will be directly responsible for the investment management of the UK Equity Share, Global Equity Share and Managed Liquidity Share Portfolios. Invesco Perpetual will also implement the Board's decisions relating to investment of the assets of the Hedge Fund Share Portfolio and (if applicable) the A Share Portfolio, but will have no investment management role in respect of the Fauchier Managed Funds to which the assets of the Hedge Fund Share Portfolio will be linked. Invesco Perpetual has an established track record of managing UK and international equities and fixed interest securities. As at 31 August 2006, Invesco Perpetual managed £16.8 billion of UK equities, £8.5 billion of international equities and £3.8 billion of fixed interest securities.

- The investment adviser to the Fauchier Managed Funds (to the performance of which the Hedge Fund Share Portfolio will be linked) will be Fauchier Partners LLP, which is London-based and has as its controlling partner, Fauchier Partners Management Limited. The sole business of the Fauchier Partners Group is the management of, and provision of advice on, portfolios of hedge funds. As at 1 August 2006 the Fauchier Partners Group had in excess of US$4.3 billion of funds under management or advice.

Management fees

- The Manager, INVESCO Asset Management Limited, will be entitled to a basic fee (payable quarterly) in respect of each Portfolio (0.75 per cent. per annum of net assets in the case of the UK Equity Share and Global Equity Share Portfolios and 0.25 per cent. per annum of net assets in the case of the Hedge Fund Share, Managed Liquidity Share and A Share Portfolios). Invesco Perpetual will also be entitled to receive performance fees in respect of the UK Equity Share and Global Equity Share Portfolios of 12.5 per cent. of the increase in net assets per relevant Share in excess of a hurdle of the relevant benchmark plus 1 per cent. per annum. The amount of the performance fee payable in any one year will be limited to 0.75 per cent. of the net assets comprising the relevant Portfolio. Any underperformance of the benchmark, or performance above the cap, will be carried forward to subsequent periods.

- Fauchier Partners Management charges Fauchier Managed Funds an annual management fee of 1 per cent. of those funds' net asset values. In addition, the managers of the underlying hedge funds in which Fauchier Managed Funds invest will typically charge an annual management fee (generally 1 to 1.5 per cent. of assets) plus a performance fee (generally 20 per cent. of any outperformance, subject to a high watermark). The Company will not be liable to pay any management fees directly to any member of the Fauchier Partners Group.

Scheme

- If the Scheme is implemented, MLAA will be wound up voluntarily and MLAA Shareholders and (if the necessary resolution is passed) Noteholders who convert their FRNs will be entitled to elect to receive in respect of all or part of their holding of MLAA Shares (including MLAA Shares arising on conversion of FRNs) Shares in the Company and/or cash. Certain of MLAA's assets will be transferred to the Company in accordance with elections made (or deemed to be made) by MLAA Shareholders and Noteholders. In the event that the Scheme does not become effective, no Shares will be issued and the Company will not be listed.

The Issue

- The number of Shares of each class to be issued will depend on elections by MLAA Shareholders and Noteholders under the Scheme and the value of MLAA's illiquid hedge fund investments relative to the value of elections made (or deemed to have been made) for Hedge Fund Shares.

- The minimum size of the Company (at the Issue Price) is £50 million, below which the Issue will not proceed.

- The minimum initial size for each of the UK Equity Share Portfolio, the Global Equity Share Portfolio and the Hedge Fund Share Portfolio will be £10 million. There will be no minimum size for the Managed Liquidity Share Portfolio or the A Share Portfolio. If the overall minimum size for the Company is achieved, the Issue will proceed even though the minimum initial size for any of the Portfolios is not met.

- Applications have been made to the UK Listing Authority for the Shares, in issue and to be issued in connection with the Scheme, to be admitted to the Official List and to the London Stock Exchange for such Shares to be admitted to trading on its market for listed securities. It is expected that Admission will occur, and that dealings in such Shares will commence, on 17 November 2006.

RISK FACTORS

Investment in the Company carries a number of risks including, but not limited to, the risks referred to below. Having made due and careful enquiry, set out below are the material risks relating to an investment in the Shares known to the Company as at the date of this document. No assurance can be given that Shareholders will realise a profit on their investment. Investment in the Company is suitable only for persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment other than via trading in the Shares on the London Stock Exchange, for which application for admission has been made. Potential investors should review this document carefully and in its entirety and consult with their professional advisers before making an application to subscribe for Shares.

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Prospective investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 before investing.

Risks applicable to the Company

General

Shares in the Company are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment.

The Company is a new investment trust and has no operating history. The past performance of MLAA (which has a different capital structure from the Company and has not been managed by Invesco Perpetual) is not a guide to the future performance of the Company. There can be no guarantee that the investment objectives of the various Portfolios will be achieved.

The value of the Shares and income derived from them (if any) can go down as well as up. Notwithstanding the existence of the share buy-back powers described on page 22 of this document, there is no guarantee that the market price of the Shares will fully reflect their underlying net asset value.

In the event of a winding-up of the Company, the Shares will rank behind any creditors of the Company and therefore any positive return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors (if any).

Although the Shares will be traded on the London Stock Exchange, it is possible that there may not be a liquid market in one or more of the classes of Shares, in particular the A Shares, and Shareholders may have difficulty in selling their Shares.

The success of the Company will depend on the investment managers' ability to identify and realise investments in accordance with the investment objectives of the various Portfolios. There can be no assurance that the investment managers will be able to do so or that the Company will be able to invest its capital on attractive terms or generate returns for Shareholders.

Compulsory conversion of a class of Shares

The continued listing on the Official List of each class of Shares is dependent on at least 25 per cent. of the Shares in that class being held in public hands (as defined in the Listing Rules). This means that if more than 75 per cent. of the Shares of any class were held by, *inter alios*, the Directors, persons connected with the Directors or persons interested in 5 per cent. or more of the relevant Shares, the listing of that class of Shares might be suspended or cancelled. The Listing Rules state that the FSA may allow a reasonable period of time for the Company to restore the appropriate percentage if this rule is breached, but in the event that the listing of any class of Shares were cancelled the Company would lose its investment trust status. This could result in the Company being required to pay corporation tax on realised capital gains made in the relevant accounting period in all Portfolios, which would adversely affect the returns available to Shareholders.

Accordingly, if at any time the Board considers that the listing of any class of Shares on the Official List is likely to be cancelled and the loss of such listing would mean that the Company would no longer be able to qualify for approval as an investment trust under section 842 of the Taxes Act, the Board may serve written notice on the holders of the relevant Shares requiring them to convert their Shares into another class of Shares.

Liability of one Portfolio for the liabilities of another Portfolio

The Directors intend that, in the absence of unforeseen circumstances, each Portfolio will effectively operate as if it were a stand-alone company. However, prospective investors should be aware of the following factors:

- As a matter of law, the Company is a single entity. Therefore, in the event that any of the Portfolios has insufficient funds or assets to meet all of its liabilities, on a winding-up or otherwise such a shortfall would become a liability of the other Portfolios and would be payable out of the assets of the other Portfolios in such proportions as the Board may determine.

- The Companies Act prohibits the Directors from declaring any dividends in circumstances where the Company's assets represent less than one and a half times the aggregate of its liabilities. If (contrary to the Directors' current expectations or intentions) the Company were to incur material liabilities in the future, a significant fall in the value of the Company's assets as a whole may affect the Company's ability to pay dividends on a particular class of Shares, even though there are distributable profits attributable to the relevant Portfolio.

Hedge Fund Shares

Because of the relative illiquidity of the underlying investments of the Fauchier Managed Funds to the performance of which the Hedge Fund Share Portfolio will be linked, it will be necessary to give notice approximately 3 months ahead of actual conversion to convert from Hedge Fund Shares into any other class of Shares, although selection of the class or classes of Shares into which the relevant Hedge Fund Shares will convert may be made up to approximately 2 weeks prior to the relevant conversion date. Hedge Fund Shares in respect of which a conversion notice has been given will continue to be exposed to hedge funds during the notice period, but, once given, a notice to convert from Hedge Fund Shares will be irrevocable. Hedge Fund Shares in respect of which a conversion notice has been given will be listed separately in the Official List and will be transferable, but the conversion notice that has been given will be binding on any purchaser of such shares.

Hedge funds normally only carry out formal asset valuations once a month, with values typically being reported by the end of the following month. For the purposes of conversion, the value of Hedge Fund Shares will be based on the latest available estimates of the underlying hedge fund investments as at the Calculation Time (as defined in Part 2 of this document); no adjustment will be made for any valuation reported after that time.

If, in relation to any conversion, the value of elections to convert from Hedge Fund Shares into other classes were to exceed the available liquid assets of the Hedge Fund Share Portfolio, it may be necessary for the Board to scale back such conversions in accordance with the power described in paragraph 10.17(d) of Part 2 of this document.

The arrangements whereby the assets of the Hedge Fund Share Portfolio are to be linked to the performance of the Fauchier Allocator Funds or other Fauchier Managed Funds may be terminated if the asset value of the Hedge Fund Share Portfolio falls to a level which makes it uneconomic to do so. In that event, it is expected that the Hedge Fund Share Portfolio would invest in other appropriate investment vehicles, such as closed-ended corporate funds of hedge funds.

Other risks associated with the Hedge Fund Shares are set out on pages 11 and 12 of this document.

Managed Liquidity Shares

Potential investors should note that the Managed Liquidity Shares are not designed to replicate the returns or other characteristics of a bank or building society deposit or money market fund.

A Shares

The timing of conversion of A Shares into one or more of the other classes of Shares will depend on how quickly the illiquid hedge fund investments of MLAA which are not allocated to the Hedge Fund Share Portfolio can be realised. This process could take several months. The Board may (but will not be obliged to) allow more than one opportunity for conversion of A Shares, but this will depend on the speed and extent of realisation of the underlying hedge fund investments.

Although the composition of the A Share Portfolio will initially be similar to that of the Hedge Fund Share Portfolio, it will not have the same investment objective and may produce a very different return.

Dividends

The amount of dividends and future dividend growth on any class of Shares will depend on the underlying Portfolios and the available distributable reserves. Any change in the tax treatment of dividends or interest received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Company invests) may reduce the level of dividends received by Shareholders.

If under UK law there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

Economic conditions

Changes in economic conditions in the different countries in which the Company may invest (for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and other factors) could substantially and adversely affect the Company's prospects.

Emerging markets

The Company and the investee hedge funds of the Hedge Fund Share Portfolio may invest in emerging market securities. Investing in emerging market securities involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (a) the risk of nationalisation or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty, including war; (c) dependence on exports and the corresponding importance of international trade and commodities prices; (d) less liquidity of securities markets; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) limitations on repatriation of invested capital; (h) a higher degree of governmental involvement in, and control over, the economies; (i) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies; (j) differences in auditing and financial reporting standards, which may result in the unavailability of material information about economies and issuers; (k) less extensive regulatory oversight of securities markets; (l) longer settlement periods for securities transactions; (m) less stringent laws regarding the fiduciary duties of directors and officers and protection of investors; and (n) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

Exchange risks

The Company will invest in securities which are not necessarily denominated or quoted in Sterling. The movement of exchange rates between Sterling and any other currencies in which the Company's investments are denominated may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company. Fauchier Managed Funds hedge the returns from the underlying hedge funds in which they invest (which are predominantly in US dollars) back to Sterling and the Company may, if considered appropriate, hedge some or all of foreign currency exposure within the UK Equity Share and Global Equity Share Portfolios. However, hedging arrangements relating to foreign currency returns and exposures may not have the desired effect.

Exchange controls and withholding tax

The Company may from time to time purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally reduce the income received by the Company on its investments.

Borrowings

Whilst the use of borrowings within a Portfolio should enhance the total return on the relevant Shares where the return on the Portfolio's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on such Shares. Similarly, the use of borrowings by investment companies or funds in which the Company invests will increase the volatility of the Company's investment in such company or fund and thereby further increase the volatility of the net asset value of the Company's shares.

Derivatives

The Company may use derivatives for the purpose of efficient portfolio management. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments which are the subject of the hedge, on the other hand. In addition, an active market may not exist for a particular derivative instrument at any particular time.

Taxation

Any change in the Company's tax status or in taxation legislation in the United Kingdom or elsewhere could affect the value of the investments held by the Company or the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders. The summaries in this document concerning the taxation of investors in Shares are based on current UK tax law and practice, which is subject to change. The taxation of an investment in the Company will depend on the individual circumstances of the investor and prospective investors who are in any doubt should consult their tax advisers before making an investment in the Company.

The Board has been advised that under current UK tax law and practice a Shareholder will not be regarded as having disposed of his Shares for the purposes of UK capital gains tax on making the decision to convert all or any of his Shares into any other class of Shares. Any change in the tax treatment of conversions could affect Shareholders and the price and liquidity of the Shares.

Transfer of assets under the Scheme

For the purposes of the Scheme, and in order to enable MLAA's assets to be transferred to the Company at a mid-market price, MLAA's assets will be valued on or around 13 November 2006 and certain of those assets will be transferred to the Company on or around 16 November 2006. Movements in the value of those assets during the intervening period may have a positive or negative effect on the performance of the Company.

Investment in other investment companies and funds

Save for the investment of the Hedge Fund Share Portfolio indirectly in Fauchier Managed Funds and of the Managed Liquidity Share Portfolio in the Invesco Perpetual Money Fund, the Company does not at present intend to invest in other investment companies or funds, but will retain the ability to invest up to 10 per cent. of its gross assets in other listed investment companies (including listed investment trusts).

Should the Company decide to invest in other investment companies, investors should be aware that such investments may include holdings in the shares of investment funds which are geared by loan facilities that rank ahead of the relevant shares both for payment of interest and for capital. Investment in shares of investment companies which are geared present a higher investment risk as to their capital return. In addition, any increase or decrease in the value of a Portfolio would be magnified in the movement of net asset value of the shares comprised within that Portfolio.

If the Company invests in investment funds which are expected to be invested in whole or in part in shares of geared investment funds, a failure of such a fund to meet its projected dividend may have an adverse effect on the Company's ability to pay a dividend. Further, it may have an adverse effect on that fund's share price, which would adversely affect the value of the Company's assets.

Risks applicable to the Hedge Fund Share Portfolio

Leverage

The Fauchier Managed Funds may be indirectly exposed to gearing to the extent that investee funds are themselves geared. This can result in the hedge fund controlling more assets than it has equity. The use of leverage exposes the hedge fund to additional levels of risk from investments than would otherwise have been the case had the hedge fund not borrowed to make the investments. To the extent that options, futures, swaps and other derivative financial instruments are used, it should be noted that they contain greater leverage than a non-margined investment. Underlying investee hedge funds may also invest in highly leveraged situations, including issuers that have engaged in leveraged buyouts or certain types of real estate related investments.

Short sales

Hedge funds in which Fauchier Managed Funds invest may engage in short selling. Short selling, which involves selling securities not currently owned (i.e. selling borrowed securities), necessarily involves additional risks. These transactions expose the investee hedge fund to the risk of uncapped losses until the position is "closed out". The hedge fund may be compelled to replace borrowed securities previously sold short with securities purchased in the open market at prices significantly in excess of those achieved when the securities were originally sold short.

Options, commodities and futures contracts, derivative instruments and high-yield securities

Hedge funds in which Fauchier Managed Funds invest may purchase put and call options, commodities and futures contracts, derivative instruments and high-yield securities. These are specialised activities and entail greater than ordinary investment risks. Examples of these risks include the potential for leverage, illiquidity of investments, greater risk of loss of principal and interest and counterparty default.

Special situations

The hedge funds in which Fauchier Managed Funds invest may in turn invest in companies involved in acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions. Because there is substantial uncertainty concerning the outcome of such transactions or transactions involving financially troubled companies, there is a potential risk of loss by such funds of a substantial proportion of their investment in such companies.

Emerging market debt securities

The hedge funds in which Fauchier Managed Funds invest may in turn invest in emerging market debt securities denominated in various currencies. These securities may be unrated or rated in the lower rating categories by the various credit rating agencies. These securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be speculative with respect to the issuer's capacity to pay interest and repay principal. The market for emerging market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold.

Illiquidity

The fact that Fauchier Managed Funds may invest in hedge funds that do not permit frequent redemptions, including hedge funds that may have "lock-up" periods, means that an investment in a Fauchier Managed Fund may be a relatively illiquid investment.

Regulatory supervision

The hedge funds in which Fauchier Managed Funds may invest, including managed accounts, may not be subject to any form of authorisation or regulatory supervision. Investment in such vehicles carries a higher potential risk and this should be taken into account in any investment decision.

Prime brokerage risk

To the extent that investee funds have transferred their investments to a prime broker as collateral or margin, that investee fund will rank as one of the prime broker's unsecured creditors. In the event of the insolvency of the prime broker, the investee fund may not be able to recover such assets. The investee funds will be subject to the risk of the inability of the prime broker to perform with respect to transactions, whether because of insolvency, bankruptcy or other causes.

Linked debt securities

The debt securities in which the Hedge Fund Share Portfolio will principally be invested will be limited recourse. The issuer of each security will only be obliged to pay an amount to the Company to the extent that it has received such amount from the Fauchier Managed Fund to the performance of which the relevant security is linked.

If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of any class of Shares, they should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser.

EXPECTED TIMETABLE

	2006
Latest date for receipt by MLAA of elections from MLAA Shareholders and Noteholders under the Scheme	3 November
Effective Date for completion of the Scheme	16 November
Admission and commencement of dealings in Shares to be issued in connection with the Scheme and CREST accounts credited in respect of such Shares issued in uncertificated form	17 November
Certificates despatched in respect of Shares issued in connection with the Scheme in certificated form	17 November or as soon as practicable thereafter

DIRECTORS, MANAGER AND ADVISERS

Directors	Michael Mason (*Chairman*) Patrick Gifford John Martin Peter Stormonth Darling Stephen Zimmerman *(all of whom are non-executive)* *all of:* 30 Finsbury Square London EC2A 1AG
Manager, Secretary and registered office	INVESCO Asset Management Limited 30 Finsbury Square London EC2A 1AG
Investment adviser to the Fauchier Managed Funds	Fauchier Partners LLP 72 Welbeck Street London W1G 0AY
Sponsor	Ernst & Young LLP 1 More London Place London SE1 2AF
Solicitors to the Company and the Issue	Norton Rose Kempson House Camomile Street London EC3A 7AN
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Custodian and principal banker	JPMorgan Chase Bank NA (London Branch) 125 London Wall London EC2Y 5AJ
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART 1

Description of the Company

Introduction

Invesco Perpetual Select Trust plc is a new investment trust, which has been established as a successor vehicle to Merrill Lynch Asset Allocator plc. The Company is intended as a long-term vehicle for investors and will have an indefinite life.

Application has been made for the Shares, in issue and to be issued in connection with the Scheme, to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities.

Investment objectives and policies

The Company will provide shareholders with a choice of investment objectives and policies, each intended to generate attractive risk-adjusted returns from segregated portfolios.

It is intended that the Company's share capital will include four main classes of shares: UK Equity Shares, Global Equity Shares, Hedge Fund Shares and Managed Liquidity Shares, each of which will have its own separate portfolio of assets and attributable liabilities. The investment objectives and policies of the Portfolios for these classes of Shares will be as follows:

UK Equity Share Portfolio

The investment objective of the UK Equity Share Portfolio will be to provide holders of UK Equity Shares with an attractive real long-term total return by investing primarily in quoted UK equities. The UK Equity Share Portfolio will be unconstrained, but for performance management purposes it will be measured against the FTSE All-Share Index. However, it will have no rigid stock, sector or capitalisation limits.

In pursuing the objective, Invesco Perpetual, the manager of the UK Equity Share Portfolio, may employ a range of investments that are considered appropriate, including, with the agreement of the Board, unquoted securities, fixed interest securities, investments in other investment companies or funds and other permitted investments and transactions. In addition, the Portfolio may invest up to 10 per cent. of its assets in derivatives for the purpose of efficient portfolio management. The Portfolio will have the ability, when the investment manager considers appropriate and with the agreement of the Board, to borrow the equivalent of up to 25 per cent. of its assets for investment purposes. Equally, when considered appropriate, the Portfolio may include up to 20 per cent. in cash or cash equivalents or in debt instruments.

The Board intends to distribute by way of dividend substantially all of the net income of the UK Equity Share Portfolio after attributable expenses and taxation. The Manager will aim to maximise total returns from the Portfolio, which will typically command a yield premium to the market. However, the pursuit of income will not be a prime objective and dividend yields will not be permitted to constrain investment decisions. It is intended that dividends on the UK Equity Shares will be paid twice a year, with the first dividend expected to be paid in respect of the period from Admission to 31 May 2007.

Global Equity Share Portfolio

The investment objective of the Global Equity Share Portfolio will be to deliver long-term capital growth through investing principally in global equities (including UK equities). The Global Equity Share Portfolio will be unconstrained, but for performance management purposes it will be measured against the MSCI World Index (in Sterling). However, the Portfolio will have no rigid stock, sector, geographic or capitalisation limits; investments will be made wherever the investment manager feels the most attractive returns are to be found, while ensuring that there is sufficient diversification at the total portfolio level.

This will be a high conviction portfolio managed by Invesco Perpetual, with a target range of between 40 and 60 holdings, drawn from issuers globally and will reflect the managers' views of the best prospects for absolute total returns. The Portfolio will invest predominantly in quoted equities, but may, with the agreement of the Board, also invest up to 10 per cent. of its assets in unquoted securities. The investment manager may also make other investments that are considered appropriate, including fixed interest securities, investments in other investment companies or funds and other permitted investments or transactions. The Portfolio may also include up to 10 per cent. of its assets in derivatives for the purpose of efficient portfolio management.

The Portfolio will have the ability, when the Manager considers appropriate and with the agreement of the Board, to borrow the equivalent of up to 20 per cent. of its assets for investment purposes. Equally, when considered appropriate, the Portfolio may hold up to 20 per cent. in cash or cash equivalents or in debt instruments.

The Board intends to distribute by way of dividend substantially all of the net income of the Global Equity Share Portfolio after attributable expenses and taxation, but the primary objective will be to maximise total returns. It is intended that dividends on the Global Equity Shares will be paid once a year, with the first dividend expected to be paid in respect of the period from Admission to 31 May 2007.

Hedge Fund Share Portfolio

The investment objective of the Hedge Fund Share Portfolio will be to achieve an absolute return of 3-month sterling LIBOR plus 6 per cent. per annum over a rolling 5-year period, coupled with low volatility. Capital preservation will be a priority. The Hedge Fund Share Portfolio will principally consist of investments in debt securities the return on each of which will be directly linked to the performance of a diversified fund of hedge funds managed by Fauchier Partners Management on advice from Fauchier Partners (Fauchier Managed Funds). These funds will include the Fauchier Allocator Funds, exempt open-ended investment companies incorporated in Bermuda and listed on the Irish Stock Exchange.

Each of the Fauchier Managed Funds will invest in a diversified portfolio of hedge funds, which themselves may invest in a wide variety of countries and markets (including Europe, North America, Japan, the Far East and various emerging markets) and securities (including listed and unlisted equities, investment grade and non-investment grade bonds, notes and listed and unlisted derivatives, such as options, futures, warrants and forward contracts). There are no limits to the size of hedge funds in which Fauchier Managed Funds may invest and such hedge funds may be closed or open-ended.

Fauchier Managed Funds may, as an alternative to direct investment in hedge funds or where hedge funds are closed to new investment, invest indirectly through "managed accounts". Investments through managed accounts would take the form of shares in separately established special purpose companies with limited liability. The liability of the Fauchier Managed Fund would be limited, in each case, to the value of its shareholding in the special purpose company.

Not more than 10 per cent. of the value of the gross assets of the Hedge Fund Share Portfolio will be invested in any one underlying hedge fund and not more than 20 per cent. of the value of the gross assets of the Portfolio will be invested with any single portfolio management group.

In addition to investment in linked debt securities, the Hedge Fund Share Portfolio may have holdings in closed-ended corporate funds of hedge funds.

The Hedge Fund Share Portfolio will have the ability, if the Board considers it appropriate to do so, to borrow the equivalent of up to 10 per cent. of its assets in order to manage short-term liquidity.

Since the underlying funds in which the Hedge Fund Share Portfolio will be invested are unlikely to generate any material income, it is not expected that any dividends will be paid in respect of the Hedge Fund Shares.

Managed Liquidity Share Portfolio

The investment objective of the Managed Liquidity Share Portfolio will be to produce a high level of income return combined with a high degree of security. The Portfolio, to be managed by Invesco Perpetual, will invest in a range of Sterling-based or related money market fund assets (which may include transferable securities, money market instruments, warrants, collective investment schemes and deposits), either directly or indirectly through money market funds, including funds managed by Invesco Perpetual or its associated companies. It is expected that, initially, a significant proportion of the Managed Liquidity Share Portfolio will be invested in the Invesco Perpetual Money Fund, a sub-fund of the Invesco Perpetual Managed Investment Series, an ICVC authorised by the FSA. The Invesco Perpetual Money Fund was launched in 1994 and has produced a cumulative 44.7 per cent. return over the 10 years ended 31 August 2006.

The Board intends that dividends on the Managed Liquidity Shares will be paid twice a year, with the first dividend expected to be paid in respect of the period from Admission to 31 May 2007.

A Share Portfolio

The Company may also issue A Shares in connection with the Scheme if the value of elections for Hedge Fund Shares is less than the value of MLAA's assets represented by illiquid hedge fund investments. The aim of the A Share Portfolio will be to liquidate the underlying hedge fund investments transferred from MLAA so as to enable the A Shares to be converted into other classes of Shares as soon as practicable. Depending on the extent of illiquid hedge fund investments allocated to the A Share Portfolio, this process could take several months.

General

In accordance with the Listing Rules, any material change in the Company's investment objective and policy in relation to any Portfolio will only be made with the approval of Shareholders of the relevant class.

The Company intends to observe the investment restrictions necessary to achieve and maintain approved investment trust status in the United Kingdom and to comply with the Listing Rules, which are set out in paragraph 6.3 of Part 4 of this document. The Company will be a passive investor and will not seek to take legal or management control or be actively involved in the management of, any companies or businesses in which it invests, nor will it to a significant extent be a dealer in investments. In addition, the Company will maintain an adequate spread of investment risk. This will be achieved as a result of diversification requirements inherent in the Company's investment policies. In addition, investment trust status requires holdings in other companies to be limited to a maximum of 15 per cent. of the Company's investments.

Investment philosophy and process

UK and Global Equity Share Portfolios

Invesco Perpetual's investment philosophy is centred on a belief that investors' behavioural biases repeatedly give rise to short-term market inefficiencies, with the result that share prices do not always reflect a company's fundamental value, which is its ability to deliver dividend growth. Invesco Perpetual believes that by exploiting these market inefficiencies through careful fundamental analysis and a strong emphasis on valuation its portfolio managers can deliver consistent, long-term outperformance under most market conditions.

Every decision is based on conviction derived from an understanding of the drivers of an investment's valuation. The investment universe is not conditioned by a capitalisation-weighted index and index weightings play no part in stock selection. Rather, investment decisions are active and reflect the portfolio manager's conviction in the attractiveness of the investment. This unconstrained, fundamental, valuation-driven approach may often be reflected in a preference for out-of-favour stocks and may result in portfolios that differ substantially from any index but are constructed with the aim of delivering, in the long term, absolute total returns.

The investment approach employed by Invesco Perpetual's equity managers is pragmatic and flexible, with no inherent style bias, though the process is driven by fundamental analysis with a focus on valuation. The process incorporates top-down and bottom-up analysis, with alpha expected to be generated at both levels. The process starts with top-down macro analysis, considering all asset classes and (in the case of international portfolios) regions. By taking into account the macro environment and outlook, the prospects for corporate earnings and considering market valuations, portfolio managers derive relative market return expectations and identify current and future themes. This analysis acts as a framework for portfolio construction. Using this analysis and (in the case of international portfolios) taking into account the conviction of the regional specialists based on their bottom-up analysis, the lead manager derives an asset allocation for the portfolio.

Bottom-up analysis is crucial to the process, driving stock selection as well as being a key input to the asset allocation decision. Fundamental analysis drives the stock selection process, with an emphasis on having a detailed understanding of a company's key business drivers and its valuation. In carrying out their analysis, portfolio managers place a heavy emphasis on direct company meetings, as well as using external and other research. The managers assess quantitative and qualitative criteria, considering all aspects of a company. This will range from the quality of a company's management and its commitment to delivering value to shareholders, to the strength of franchise, competitive advantages and sustainability of a company's business, through to all aspects of the company's financials, profitability and returns. Ultimately, however, stock selection is driven by a focus on valuation. Portfolio managers constantly assess a company's valuation using a wide range of tools and reference this against how the company is valued in the market. Invesco Perpetual will not invest in a company, no matter how attractive its fundamentals, if this potential is already reflected in the price. Equally, Invesco Perpetual will sell an investment if its valuation runs ahead of its fundamentals. This valuation approach leads to a clear buy/sell discipline.

Risk management is an integral part of the investment process. Capital preservation is key to Invesco Perpetual's concept of risk management and portfolio managers believe that, first and foremost, a fund manager is a manager of risk.

The objective is always to invest in stocks that are fundamentally undervalued and will realise their value over the course of time. In this context, risk is defined as the likelihood of an investment falling, rather than rising, in value over a reasonable period of time, making the process of fundamental analysis and valuation central to the management of risk.

Fund managers effectively control stock-specific risk by ensuring that portfolios are always appropriately diversified. In-depth, ongoing analysis of the fundamentals of all holdings gives fund managers a full understanding of all the financial risks associated with any particular stock. At the total portfolio level, performance, attribution and risk reports help portfolio managers in regularly analysing the performance and risk characteristics of their portfolios. For international portfolios, the managers also make qualitative assessment of economic and political risk associated with countries or regions. There is also a culture of challenge and debate regarding portfolio construction and risk between managers and, periodically, with the chief investment officer. Each individual portfolio manager is held accountable for his own investment decisions.

Hedge Fund Share Portfolio

Fauchier Partners provides investment advice to Fauchier Partners Management as manager of the Fauchier Managed Funds on the management of such funds. In formulating its advice, Fauchier Partners takes into consideration, *inter alia*, the following factors in respect of potential investee hedge funds: corporate structure, investment philosophy, investment process, IT infrastructure, performance history, quality of key personnel and risk management process.

Fauchier Partners applies a top-down approach to the allocation of different hedge fund strategies as the framework within which specific investment decisions are taken. Fauchier Partners believes this has two principal benefits. First, by identifying different sources of return, it is able to ensure that the portfolio is sufficiently diversified. Second, it allows it to identify capacity constraints within different hedge fund strategies and to identify whether the prevailing market environment is favourable for specific strategies.

Fauchier Partners does not attempt to time or predict the direction of markets. Its objective is to allocate to strategies according to its perception of the potential which exists to generate returns in any particular strategy over a given period of time. For example, if there is little merger and acquisitions activity, it will be very difficult for hedge fund managers active in that area to generate returns and, in these circumstances, the emphasis of the portfolio would be altered accordingly.

Fauchier Partners Management invests the assets of the Fauchier Managed Funds in the following principal strategies groups:

- **Absolute Value** strategies, which include funds investing in a combination of long and short positions. This group includes Macro funds, Equity Long Bias funds, Equity Hedged funds, Equity Short Bias funds and Specialist Credit funds.
- **Relative Value** strategies, which seek to exploit anomalies in the pricing of two or more related securities. This group includes Equity Non-Directional funds, Event Driven funds, Volatility Trading funds and Fixed Income Arbitrage funds.
- **Multi Strategy** funds, which invest in situations combining elements both of Absolute Value and Relative Value approaches.

A brief explanation of the above hedge fund strategies is set out at the end of this document.

Fauchier Partners Management does not invest in hedge funds which engage in mutual fund timing; invest long only; employ excessive leverage to generate returns; invest in mortgage-backed securities; or are purely systems driven (so-called "black box" funds).

In recommending a specific hedge fund for inclusion in a Fauchier Managed Fund, Fauchier Partners undertakes significant due diligence on the hedge fund in question, on its management company and on its administrative arrangements. Specifically, after having undertaken a thorough review of the fund's investment strategy and historical performance, Fauchier Partners insists on meeting the senior members of the hedge fund manager's team face-to-face and also carries out a detailed examination of their investment experience. In addition, in respect of each fund, a thorough review is undertaken of (i) the risk profile of the fund, (ii) the systems which are in place to monitor risk and business performance, (iii) the legal structure of the fund and (iv) the formal relationship the fund has with its administrator and prime brokers and bankers.

Investment outlook

Equity markets

The Board, which has been advised by Invesco Perpetual, considers that economies and markets alike have benefited from a period of low interest rates in recent years, which has stimulated economic growth and asset classes such as equities and property. With the key Central Banks worldwide all now raising interest rates, tighter liquidity conditions suggest that the strong returns from equity markets in the last three years are unlikely to be repeated. At the same time, continuing geopolitical tensions and heightened uncertainty over the outlook for inflation and growth in the US and elsewhere have led investors to re-assess their appetite to risk. This prompted a correction in most equity markets in May and June, with the biggest falls being recorded in those asset classes perceived as being highest risk, such as emerging markets. In this more uncertain environment, with earnings revisions and leading economic indicators looking like they are peaking and with money becoming dearer, it is fair to say that the best period of the bull market has probably now been seen.

This does not, however, mean that markets will not be able to make further progress over the rest of 2006. The market environment may be more uncertain than it was earlier in the year, but corporate fundamentals remain strong. Corporate free cash flows and balance sheets are solid, while valuations are reasonable – share prices have risen a lot over the past three years, but so have earnings. There is every chance that markets and companies can continue to make progress going forward.

The UK and Asia are thought to be the most attractive regions to invest in currently, followed by Europe. In the UK, the outlook for the economy, and for the consumer in particular, is cautious. Consumer expenditure is likely to moderate over the next few months in the face of high energy and utility prices, council tax increases and the recent rise in interest rates. Furthermore, government spending, which has been an important driver of the UK economy, looks unlikely to increase further. However, the stock market is being underpinned by solid earnings growth, good dividend yields and reasonable valuations, and there is cautious optimism about returns from equities. Increasingly, the best value is being found in larger cap stocks.

In Asia the long-term investment case remains strong, with the region characterised by solid economies with current account surpluses and strengthening currencies and reserves, while at the micro level valuations are attractive and yields good. Following far-reaching structural changes since the 1997 Asian crisis, the region is much better placed to weather any downturn.

In the US an economic showdown is foreseeable as a weakening housing market impacts the consumer, but corporate strength can partially offset this to give a soft landing for the economy rather than a recession. In Japan there is encouraging evidence that the economy is finally recovering, but there is concern that valuations have run ahead of fundamentals.

Hedge funds

The Board, which has been advised by Fauchier Partners, considers that the bull market of the last three years has seen an extended period of rising asset prices and ample liquidity resulting from loose monetary policy. Through most of 2005 and the early part of 2006, the environment for most hedge fund strategies has been generally favourable. Macro managers were able to take advantage of trending/directional markets and have posted strong gains over the period. As would be expected, Equity Long/Short managers performed well in such an environment; pleasingly, equity markets have become more discriminating and fundamental long/short stock pickers have benefited as a result. The bull market has seen corporate activity continue at an ever increasing rate; continued pressure on companies to consolidate and increase revenue through acquisition has provided opportunity for Event Driven managers to make money.

Fears over inflation and possible rate rises saw large amounts of uncertainty entering global asset classes during May and June of 2006. Hawkish rhetoric from the Federal Reserve along with rate hikes from central banks in Europe, South Korea, India, Denmark and South Africa led to investors fearing a slowdown in global economic growth. Although sentiment has improved, there still remains a large amount of uncertainty in global asset classes.

This macro uncertainty seems set to last into the latter part of 2006. However, once this has dissipated, the outlook for hedge funds in a conservative, balanced portfolio is positive. Such a portfolio is positioned to make money over the next 12 months but also to withstand a sell-off should it occur in credit markets or elsewhere. Favoured strategies continue to be Macro, Equity Long/Short and Event Driven.

Establishment of the Portfolios

Allocation of assets

The Company's initial assets will be transferred from MLAA under the terms of the Scheme. It is intended that, following elections by MLAA Shareholders and Noteholders under the Scheme, MLAA's portfolio will be re-aligned to take account of the elections (and deemed elections) for each class of Shares. It is expected that the Company's initial assets will principally comprise debt securities representing the hedge fund element of MLAA's existing Growth Share Portfolio and short-dated gilts and cash for re-investment.

The Company's net assets, after the costs of the Issue, will be allocated to the Portfolios corresponding to the different classes of Shares, based on the number of Shares of each class issued in connection with the Scheme.

The Directors estimate that the costs of the Issue which are payable by the Company will amount to some £55,000; these costs will be allocated to the different Portfolios in proportion to their respective net assets. Stamp duty and stamp duty reserve tax payable on the transfer of UK securities to the UK Equity Share Portfolio (whether under the Scheme or on market purchases) will be borne by that Portfolio and hence by holders of UK Equity Shares.

Initial and ongoing size requirements

If the aggregate value of the assets to be transferred to the Company in connection with the Scheme, and therefore the overall size of the Company as at Admission, would be less than £50 million, the Issue will not proceed and the Company's shares will not be listed.

The minimum initial size for each of the UK Equity Share Portfolio, the Global Equity Share Portfolio and the Hedge Fund Share Portfolio will be £10 million. There will be no minimum size for the Managed Liquidity Share Portfolio or the A Share Portfolio. If the overall minimum size for the Company is achieved, the Issue will proceed even though the minimum initial size for any of the Portfolios is not met.

After Admission there will be no minimum size requirement for any of the Portfolios, but if at any time the Board considers that the listing of any class of Shares on the Official List is likely to be cancelled and the loss of such listing would mean that the Company would no longer be able to qualify for approval as an investment trust under section 842 of the Taxes Act, as set out in paragraph 10.18 of Part 2 of this document the Board may serve written notice on the holders of the relevant Shares requiring them to convert their Shares into another class of Shares.

Capital structure

The principal characteristics of the Shares are summarised in Part 2 of this document.

Future convertibility of the Shares

Shares (other than A Shares) will be convertible at the option of the holder into any other class of Shares (other than A Shares) on 1 November 2007 and every 6 months thereafter. Notice to convert any class of Shares on any conversion date will be required up to a maximum of 10 business days prior to the relevant conversion date, save in the case of conversions of Hedge Fund Shares in relation to which notice to convert will need to be given approximately 3 months prior to the relevant conversion date because of the less liquid nature of the underlying hedge fund investments.

Conversion from one class of Shares into another will be on the basis of a ratio derived from the prevailing underlying net asset value of each class of relevant Shares, calculated shortly before the date of conversion as set out in Part 2 of this document. The costs of realising investments in connection with any conversion will be borne by the Portfolio to which the converting Shares relate (and thus by all Shareholders of the relevant class, whether or not they choose to convert their Shares) and will be taken into account in calculating NAV for the purpose of determining the conversion ratio. The costs of investing monies transferred from one Portfolio to another on conversion will be borne by the receiving Portfolio. Wherever possible, assets will be re-allocated between Portfolios to avoid unnecessary realisation or investment costs.

Different conversion arrangements will apply to any A Shares that are issued pursuant to the Scheme because of the illiquid nature of the underlying hedge fund investments. It will not be possible to provide a conversion opportunity until all (or a substantial part) of these investments have been realised. The Directors will set the conversion timetable for the A Shares in light of the realisation process. Depending on the size of the A Share Portfolio, it could take several months to realise all the underlying investments, but the Directors will, if appropriate, consider giving holders of A Shares the opportunity to convert some of their Shares on a *pro rata* basis earlier than that. If by the final conversion date for A Shares a holder of A Shares has not elected to convert his Shares, the relevant Shares will automatically be converted into Managed Liquidity Shares.

The Directors have been advised that conversion of one class of Shares into another will not be treated as a disposal for the purposes of UK capital gains tax.

Dividend and voting rights

Each of the classes of Shares will have the right to receive the revenue profits of the Company attributable to the Portfolio relating to that class of Shares as determined to be distributed by way of interim or final dividend at such times as the Board determines.

Shares will not carry a fixed number of votes. At general meetings of the Company the voting rights of each Share will be determined by reference to the net asset value of the Shares of the relevant class. The relative voting power of each class of Share at a general meeting will depend on the number of Shares of that class in issue and the NAV of the Portfolio attributable to that class of Shares. In relation to dividends, each class of Shares will only be able to vote only on dividends for that class.

Allocation of expenses

Insofar as is possible, the expenses incurred in managing the Portfolios, including tax liabilities and stamp duty on the transfer of UK equities to be included in the UK Equity Share Portfolio, will be allocated to the relevant Portfolio so that each Portfolio bears its own costs. Other expenses of the Company, such as audit and legal fees, will, where appropriate, be charged to the Portfolio to which they relate and where an expense is not attributable to a particular Portfolio it will be allocated to, and discharged out of the assets of, such one or more of the Portfolios on such basis and in such proportions as the Board considers to be fair and reasonable. The Directors expect that normally such allocation would be *pro rata* to the Portfolio NAVs, initially as at Admission and from November 2007 onwards as used for the most recent conversion prior to the allocation in question.

Return of assets

On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprised in each of the Portfolios, after payment of all liabilities attributable to that Portfolio and any other liabilities of the Company (including without limitation of any of the other Portfolios) not otherwise paid and satisfied, shall be paid to the holders of the relevant Shares. To the extent the assets of any Portfolio are insufficient to cover its liabilities, creditors may have recourse to the surplus assets of the other Portfolios.

Discount control

Purchase of Shares by the Company

Share prices of investment trusts are influenced by the balance of supply and demand for their shares. The Directors will seek to limit the volatility of the Shares' market rating by buying back Shares in the market, where appropriate, with the objective of limiting the discount to NAV at which each class of Shares trade in the market to a level of approximately 4 per cent.

The Directors will have authority to buy back up to 14.99 per cent. of each class of Shares in issue immediately following Admission and will seek renewal of this authority from Shareholders annually and at other times should this prove necessary. Any buy-back of Shares will be made subject to the Act and within guidelines established from time to time by the Board, and the making and timing of any buy-backs will be at the absolute discretion of the Board. However, purchases of Shares will only be made through the market for cash at prices below the prevailing NAV of the relevant class of Shares (as last published) where the Directors believe such purchases will enhance value for Shareholders of that class. Such purchases will also only be made in accordance with the Listing Rules, which provide, *inter alia*, that the price to be paid must not be more than 5 per cent. above the average of the market values for the Shares for the five business days before the purchase is made.

The Company has passed a special resolution (expressed to take effect on Admission) cancelling the amount standing to the credit of its share premium account following the issue of Shares in connection with the Scheme. The Directors intend to apply to the Court for an order confirming such cancellation of the share premium account as soon as practicable following Admission. Subject to any undertaking required by the Court, the special reserve created on such cancellation will be available as distributable profits to be used for all purposes permitted by the Act, including making market purchases of Shares.

In accordance with Court requirements, the Company proposes to seek the consent of its creditors to the proposed cancellation of share premium account or alternatively put in place such other form of creditor protection as the Court may require. This is expected to be an undertaking to the Court to treat the reserve arising on the cancellation of the share premium account as undistributable until the Company's creditors have been repaid or their consent obtained. Given the nature of the Company as an investment trust, this undertaking is not expected to be of long duration. The cancellation will take effect on the registration (with the Registrar of Companies) of the order of the Court confirming the cancellation, which is expected in early 2007.

Treasury shares

The Companies (Acquisition of Own Shares) Treasury Shares Regulations 2003 allow companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. Up to 10 per cent. of the issued Shares may be held in this way. Treasury shares may be subsequently cancelled or sold for cash. This would give the Company the ability to re-issue Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

The Board currently intends only to sell Shares from treasury in circumstances where, treating the buy-back and the sale on a combined basis, it would be net asset value enhancing resulting in a positive overall effect for Shareholders of the relevant class. No Shares would be sold from treasury at a discount of more than 4 per cent. to the prevailing NAV per Share.

Duration

As the Company is intended as a long-term investment vehicle, it will not have a termination date or any periodic continuation votes.

Further issues of Shares

The Board believes that the structure of the Company may be attractive to investors other than MLAA Shareholders. Accordingly, until the first Annual General Meeting of the Company (which is expected to take place in October 2007) the Directors will have substantial authority to allot unissued Shares and to sell Shares out of treasury for cash. The provisions of the Act which would confer pre-emption rights in respect of such allotments or sales will not apply during such period. Thereafter, the Directors intend to seek authority at each Annual General Meeting to allot authorised but unissued Shares and to sell such shares out of treasury for cash up to an aggregate nominal amount equal to 10 per cent. of the Company's issued share capital at the time the authority is taken. The Directors will not use the existing or any future authority to allot or sell shares for cash at a price below the most recently calculated net asset value per Share without first offering such shares on a *pro rata* basis to Shareholders of the relevant class.

Directors

The Directors, who comprise the current board of MLAA, will have overall responsibility for the Company's activities and the determination of the investment policy and strategy of each of the Portfolios. The Directors, all of whom are non-executive and independent of Invesco Perpetual and the Fauchier Partners Group, are as follows:

Michael Mason (72) (*Chairman*) has served as Chairman of MLAA since its launch in April 1999. He was formerly chairman of Charterhouse Tilney Securities Ltd and a director of Charterhouse plc. He has spent most of his career as an institutional stockbroker and served on the Council of the London Stock Exchange from 1982 to 1986. He is a trustee of the Nuffield Medical Trust and a number of associated charities.

Patrick Gifford (61) was appointed to the board of MLAA in July 1999. He is chairman of Martin Currie Pacific Trust plc, Murray Income Trust plc and Vtesse Networks Ltd, and a director of JPMorgan Fleming Russian Securities plc and Premier UK Dual Return Investment Trust plc. He was previously the chief executive of Fleming Investment Trust Management and a director of Robert Fleming Holdings.

John Martin (71) has been a director of MLAA since its launch. He is investment adviser to a number of pension funds and served as investment director of the British Petroleum Pension Fund between 1981 and 1995 and was a trustee and investment adviser to the Kingfisher plc pension fund and CERN. He is also chairman of the Advisory Committee of Charinco and Charishare charity common investment funds and a Fellow of the Institute of Actuaries.

Peter Stormonth Darling (74) became a director of MLAA in November 2001. He is chairman of Atlas Capital Group Holdings S.A., Alta Advisers Limited and Welbeck Land Limited and a non-executive director of Howard de Walden Estates Limited. He was chairman of Merrill Lynch European Investment Trust plc until September 2004 and Mercury Asset Management Group plc from 1979 to 1991.

Stephen Zimmerman (57) has been a director of MLAA since its launch. He became a founder partner of NewSmith Capital Partners Limited, engaged in the provision of financial services, in February 2003. He was joint chief operating officer of Merrill Lynch Investment Managers before his retirement in 2001, and until July 2005 was a non-executive director of Pixology plc. He is a member of the Royal Marsden Investment Committee and also an adviser to the Merrill Lynch Private Equity Plan. He is also the Chairman of Jewish Care.

The Board has constituted the following committees, each of which, because of the small size of the Board, consists of all the Directors:

- An **Audit Committee** chaired by Patrick Gifford. The Committee will meet at least twice a year and will, *inter alia*, review the financial reporting process and the system of internal control and management of financial risks (including understanding the current areas of greatest financial risk and how these are managed by Invesco Perpetual and Fauchier Partners, reviewing annual financial statements, assessing the fairness of preliminary and interim statements and disclosures and reviewing the external audit process).

- A **Management Engagement Committee** chaired by Patrick Gifford. The Committee will meet at least once a year and will, *inter alia*, review the Company's investment management contract and the arrangements with the Fauchier Partners Group, review and, if applicable, amend the terms of the Manager's fees (including any performance fees) and undertake an annual performance evaluation of Invesco Perpetual and the Fauchier Partners Group.

- A **Nomination Committee** chaired by Michael Mason. The Committee will meet at least once a year and will, *inter alia*, evaluate the structure, size, balance of skills, knowledge, experience and composition of the Board; keep under review the leadership needs of the Company with a view to ensuring the continued ability of the Company to compete effectively; consider the process by which new Directors are appointed; give full consideration to succession planning for Directors; oversee an annual performance evaluation to ensure that all members of the Board have devoted sufficient time to their duties; and make recommendations concerning, *inter alia*, the continuance of the Chairman in his post and the continuation in office of any Director at any time.

Remuneration of the Directors will be determined by the Board. The remuneration of the Chairman and Directors will be reviewed against the fees paid to directors of other specialist investment trusts and investment trusts of a comparable size, as well as taking account of any data published by the AIC.

The Company intends to comply with the corporate governance regime in the UK, currently the Combined Code on Corporate Governance and the AIC Guidelines on corporate governance.

The Manager

The Company's manager will be INVESCO Asset Management Limited, which is the principal UK asset management subsidiary of AMVESCAP PLC, one of the world's largest independent quoted fund management groups. Invesco Perpetual will be directly responsible for the investment management of the UK Equity Share, Global Equity Share and Managed Liquidity Share Portfolios. Invesco Perpetual will also implement the Board's decisions relating to investment of the assets of the Hedge Fund Share Portfolio and (if applicable) the A Share Portfolio, but will have no investment management role in respect of the Fauchier Managed Funds to which the assets of the Hedge Fund Share Portfolio will be linked. Invesco Perpetual will also be responsible for the administration of the Company and for marketing its Shares.

Invesco Perpetual has an established track record of managing UK and international equities and fixed interest securities. As at 31 August 2006, Invesco Perpetual, whose UK investment centre is based in Henley-on-Thames, managed £16.8 billion in UK equities, £8.5 billion in international equities and £3.8 billion in fixed interest securities.

Invesco Perpetual and its associated companies provide portfolio management services to 15 UK listed closed-ended investment companies, with total assets (excluding property) of over £1.75 billion as at 31 August 2006. Invesco Perpetual also provides secretarial and administration services to 12 of those companies.

Fauchier Partners Group

The investment adviser to the Fauchier Managed Funds (to the performance of which the Hedge Fund Share Portfolio will be linked) will be Fauchier Partners LLP, which has as its controlling partner, Fauchier Partners Management Limited. Fauchier Partners LLP is based in London and authorised and regulated in the UK by the FSA. The sole business of the Fauchier Partners Group is the management of, and provision of advice on, portfolios of hedge funds. Its client base includes academic institutions, charities, corporate entities, family offices, financial institutions, fund management firms, pension funds and private banks. As at 1 August 2006, the Fauchier Partners Group had in excess of US$4.3 billion of funds under management or advice.

Fauchier Partners (and its predecessor) have an 11-year track record for producing consistent returns, with an emphasis on capital preservation. Fauchier Partners is solely remunerated by its clients and does not receive any commissions or fees from hedge funds in which it invests on behalf of its clients.

Management arrangements

Under the Investment Management Agreement, Invesco Perpetual will be entitled to a basic fee (payable quarterly) in respect of each Portfolio (0.75 per cent. per annum of net assets in the case of the UK Equity Share and Global Equity Share Portfolios and 0.25 per cent. per annum of net assets in the case of the Hedge Fund Share, Managed Liquidity Share and A Share Portfolios). Invesco Perpetual will also be entitled to receive performance fees of (a) 12.5 per cent. of the net asset total return per UK Equity Share in excess of a hurdle of the UK Equity Share Portfolio benchmark (the total return on the FTSE All-Share Index) plus 1 per cent. per annum and (b) 12.5 per cent. of the net asset total return per Global Equity Share in excess of a hurdle of the Global Equity Share Portfolio benchmark (the total return on the MSCI World Index in Sterling terms) plus 1 per cent. per annum. The amount of the performance fee payable in any one year will be limited to 0.75 per cent. of the net assets comprising the relevant Portfolio and any underperformance of the benchmark, or excess performance above the cap, will be carried forward to subsequent periods.

The Investment Management Agreement can be terminated by either party giving 12 months' notice to expire on or at any time after the second anniversary of Admission. In certain circumstances described in paragraph 8.1(a) of Part 4 of this document, the Investment Management Agreement may be terminated without notice.

Fauchier Partners Management charges the funds of hedge funds it manages an annual management fee of 1 per cent. of the funds' net asset values. In addition, the managers of the underlying hedge funds in which Fauchier Managed Funds invest will typically charge an annual management fee (generally 1 to 1.5 per cent. of assets) plus a performance fee (generally 20 per cent. of any outperformance, subject to a high watermark). The Company will not be liable to pay any management fees directly to any member of the Fauchier Partners Group.

The arrangements with the Fauchier Partners Group will automatically come to an end if the Hedge Fund Share Portfolio no longer includes any debt securities the return on which is linked to Fauchier Managed Funds or any other assets managed by Fauchier Partners Management.

Other service providers

Custody

JPMorgan Chase Bank NA (London Branch) will act as custodian to the Company's assets and in that capacity will be responsible for ensuring safe custody and dealing with settlement arrangements. The Custodian's appointment is terminable on 60 days' notice by either party. A summary of the main provisions of the Custody Agreement is set out in paragraph 8.1(c) of Part 4 of this document.

Registration services

Capita Registrars has been appointed as registrar to the Company. In return for providing such services, Capita Registrars is entitled to a fee calculated, *inter alia*, on the basis of the number of Shareholders appearing on the register including nil accounts, subject to a minimum fee. The Registrars' appointment is for an initial period of one year. Thereafter, it may be terminated on 6 months' notice by either party.

Fees and expenses

Save for London Stock Exchange listing fees, all the costs of forming and launching the Company (excluding irrecoverable VAT) will be paid by MLAA. Stamp duty and stamp duty reserve tax on the transfer of UK securities from MLAA to the Company will be payable by the Company and charged to the UK Equity Share Portfolio.

The Company will incur the management fees described above and will be responsible for its other running costs, which will include the fees of the Custodian and Registrars described above, Directors' fees and expenses, audit and legal fees, listing fees and the costs of preparing and distributing the annual report and accounts and interim reports and other communications with Shareholders.

It is intended that the Company's expenses will, as far as possible, be charged to the Portfolio to which they relate. Any expenses not attributable to a particular Portfolio will be charged across the subsisting Portfolios on such basis and in such proportions as the Board considers fair and reasonable. Expenses allocated to the UK Equity Share and Global Equity Share Portfolios will be charged as to 30 per cent. to the Revenue Account and as to 70 per cent. to the Capital Reserve. Expenses allocated to the Hedge Fund Share Portfolio and the A Share Portfolio will be charged entirely to the Capital Reserve and expenses allocated to the Managed Liquidity Share Portfolio will be charged entirely to the Revenue Account.

Shareholder information

The annual accounts of the Company will be made up to 31 May in each year starting in 2007, with copies of the annual report and accounts expected to be sent to Shareholders in September. It is intended that the Annual General Meeting of the Company will be held in October of each year. Shareholders will also receive an unaudited interim report covering the first six months of each financial year to the end of November. The interim report is expected to be sent to Shareholders in February of each year starting in 2008.

The Company's financial statements will be prepared in accordance with applicable UK accounting standards and specifically in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued by the AIC, January 2003 (revised December 2005). As the Company does not at present have any subsidiaries, it is not required to comply with International Financial Reporting Standards, which have replaced UK Accounting Standards for all groups of companies which are listed in the UK.

The share price of each class of Shares will be published daily in the Financial Times and the Daily Telegraph. The net asset values of the UK Equity Shares, the Global Equity Shares and the Managed Liquidity Shares will be calculated daily by the Manager in accordance with AIC guidelines and the Company's accounting policies and notified to an RIS. However, it will not be possible to value the Company's Hedge Fund Share or A Share Portfolios on a daily basis in such manner. In accordance with normal practice, the administrator of the Fauchier Managed Funds in which the assets of the Hedge Fund Share Portfolio will be invested will calculate the funds' net asset values monthly, the announcement of such net asset values generally being made by the end of the following month. The net asset values of the Hedge Fund Shares and the A Shares will be announced through an RIS weekly and will incorporate the most recently announced monthly net asset values, updated with interim estimated net asset values based on information received from underlying fund managers.

The Scheme

On 13 October 2006 the directors of MLAA (who are the same persons as comprise the Board of the Company) announced proposals which, if approved by shareholders of MLAA, will result in MLAA being wound up voluntarily and a scheme of reconstruction under section 110 of the Insolvency Act 1986 being implemented. Under the Scheme, MLAA Shareholders and Noteholders may elect to receive either Shares in the Company and/or cash. If MLAA is wound up, to the extent that shareholders and Noteholders in MLAA elect (or are deemed to have elected) to receive Shares, the net assets of MLAA (after providing for liabilities, including the costs of repaying its FRNs and contingent liabilities and the costs incurred in implementing the proposals, including the costs incurred by MLAA in forming and launching the Company) will, pursuant to the Transfer Agreement summarised in paragraph 8.1(d) of Part 4 of this document, be transferred to the Company in exchange for the issue by the Company of Shares to shareholders and Noteholders in MLAA who elect (or are deemed to have elected) to receive Shares. For this purpose, Shares will be issued at a price of 100p per share. The Scheme is conditional on, *inter alia*, approval by MLAA shareholders at two extraordinary general meetings to be held on 7 and 16 November 2006 respectively. If the necessary approvals are given by MLAA's shareholders, the Scheme is expected to become effective on or around 16 November 2006.

The size of the Company at Admission will be determined by the elections made (and deemed to have been made) under the Scheme and by the net asset value of MLAA as at the calculation date under the Scheme. If less than 50 million Shares fall to be issued or the Scheme does not become effective, the listing of the Company will not proceed. The minimum initial size for the UK Equity Share Portfolio, the Global Equity Share Portfolio and the Hedge Fund Share Portfolio will be £10 million. There will be no minimum size for the Managed Liquidity Share Portfolio or the A Share Portfolio

Overseas investors

The attention of persons resident outside the UK is drawn to paragraph 12 of Part 4 of this document, which contains restrictions on the holding of Shares by such persons.

Settlement, dealings and CREST

Application has been made for the Shares, in issue to be issued in connection with the Scheme to be admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission of such Shares will become effective, and that dealings therein will commence, on 17 November 2006.

The Shares will be in registered form and issued in both certificated and uncertificated form. Shares held in uncertificated form will be settled through CREST. **Investors should be aware that Shares delivered in certificated form are likely to incur, on an ongoing basis, higher dealing costs than those Shares held through CREST.** Shares initially issued in certificated form may subsequently be deposited into CREST in accordance with normal CREST procedures. Certificates in respect of Shares issued in certificated form are expected to be despatched on 17 November 2006 or as soon as practicable thereafter.

Temporary documents of title will not be issued pending the delivery of Shares to the persons entitled thereto and, during that period, transfers will be certified against the register of Shareholders.

Taxation

General

Information concerning the taxation of Shareholders resident in the UK is set out in Part 3 of this document.

Any information given in this document concerning tax is based on current law and regulation (which may change), is given by way of general summary only and does not constitute legal or tax advice to any Shareholder or investor. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Shares, they should seek advice from their own professional advisers.

The Directors intend to direct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in section 842 of the Taxes Act. The Company will be exempt from UK corporation tax on its capital gains in respect of each accounting period for which such approval is obtained. The Company will, however, be liable for UK corporation tax on its income (excluding dividends from UK companies) in the normal way. The Company intends that its income will consist wholly or mainly of eligible investment income as defined in section 842 of the Taxes Act.

The Directors have been advised that conversion of one class of Shares into another class of Shares will not be treated as a disposal for the purposes of UK capital gain tax.

ISAs and PEPs

Insofar as is possible, the Directors intend to manage the affairs of the Company so that the Shares will be qualifying investments for the purposes of ISAs and PEPs. Accordingly, the Shares will be eligible for inclusion in the stocks and shares components of an ISA and/or within a PEP, subject to applicable subscription limits, and provided that the ISA or PEP manager has been issued the Shares under the Scheme or acquired them through the secondary market following Admission.

PART 2

Characteristics of the Shares

This Part summarises the principal rights and restrictions attaching to the UK Equity Shares, the Global Equity Shares, the Hedge Fund Shares, the Managed Liquidity Shares and the A Shares, including the timing and mechanics of conversion of one class of Shares into another, as well as to the Deferred Shares which may arise on conversion of Shares. The full rights and restrictions attaching to the Shares are contained in the Articles, which are available for inspection as set out in paragraph 14 of Part 4 of this document.

In this Part 2, in addition to the definitions on pages 63 to 66 of this document other than those contained in this Part 2, the following definitions apply:

"Applicable Proportion"	in relation to any Converting Portfolio, the proportion which the number of Converting Shares of the relevant class bears to the total number of Shares of that class in issue as at the relevant Calculation Time
"A Share Liabilities"	those liabilities incurred by the Company in relation to the A Share Portfolio or the management thereof
"A Share Portfolio"	the assets of the Company from time to time attributable to the A Shares, including: (a) the cash or other proceeds of subscription for, or the payment up of, any A Share; and (b) all rights or assets of the Company directly or indirectly attaching to, referable to, derived from or acquired using such cash or other proceeds or any rights or assets referred to in this sub-paragraph (b)
"Calculation Time"	in relation to any Conversion Date, the close of business on such date (being not more than 5 business days prior to the relevant Conversion Date) as the Board may it its discretion determine and specify in the relevant Conversion Reminder
"Certificated Conversion Notice"	has the meaning given to it in paragraph 10.3
"Conversion Date"	(i) in the case of UK Equity Shares, Global Equity Shares, Hedge Fund Shares and Managed Liquidity Shares, subject to paragraph 10.17, 1 November 2007 and in each calendar year thereafter such dates (being not more than 3 business days before nor more than 3 business days after 1 May and 1 November respectively) as the Board may in its discretion determine and specify in the relevant Conversion Reminder and (ii) in the case of A Shares, such date or dates as the Board may in its discretion determine
"Conversion Notice"	has the meaning given to it in paragraph 10.2
"Conversion Notice Period"	subject as provided in paragraph 10.17, (i) in the case of UK Equity Shares, Global Equity Shares and Managed Liquidity Shares, such period of not less than 30 days ending not more than 10 business days prior to the relevant Conversion Date as the Board may in its discretion determine and specify in the relevant Conversion Reminder, (ii) in the case of Hedge Fund Shares, such period of not less than 30 days ending not more than 105 days prior to the relevant Conversion Date as the Board may in its discretion determine and specify in the

relevant Conversion Reminder and (iii) in the case of A Shares, such period of not less than 30 days ending not more than 10 business days prior to the relevant Conversion Date as the Board may in its discretion determine and specify in the relevant Conversion Reminder

"Conversion Ratio" the ratio to be used to determine the number of Shares arising from a conversion of Converting Shares on the conversion thereof, which ratio shall be determined in accordance with the following formula:

$$CR = \frac{A \times B}{C \times D}$$

where:

CR is the Conversion Ratio

A is the Applicable Proportion of the Portfolio NAV of the Converting Portfolio as at the Calculation Time, such value being determined in accordance with paragraph 10.16 less (to the extent not already taken into account in the Portfolio NAV of the Converting Portfolio):

(i) any liabilities of the Company, including any liabilities accrued but unpaid, which the Board has determined at the relevant Calculation Time in accordance with paragraph 2.5 should be discharged out of the Converting Portfolio (ignoring for this purpose any liabilities of the Company which, pursuant to paragraph 2, the Board is required to discharge out of any other Portfolio except to the extent that as at the relevant Calculation Time such other Portfolio(s) is/are unable to discharge such liabilities);

(ii) the costs, fees, expenses, duties, charges, taxes, commissions and spreads (or the Directors' estimate thereof) associated with the re-alignment of the assets to be transferred from the Converting Portfolio to the Receiving Portfolio (net of any assets to be transferred from the Receiving Portfolio to the Converting Portfolio as a result of conversions on the same Conversion Date); and

(iii) any other costs incurred in the conversion of the Converting Shares to another class of Shares;

B is the total number of Shares of the class into which the Converting Shares are to be converted in issue as at the relevant Calculation Time;

C is the Portfolio NAV of the Receiving Portfolio as at the Calculation Time, such value being determined in accordance with paragraph 10.16, less any liabilities of the Company, including any liabilities accrued but unpaid, not already taken into account in the Portfolio NAV of the Receiving Portfolio which the Board has determined at the relevant Calculation Time in accordance with paragraph 2.5 should be discharged out of the Receiving Portfolio (ignoring for this purpose any liabilities of the Company which, pursuant to paragraph

2, the Board is required to discharge out of any other Portfolio, except to the extent that as at the relevant Calculation Time such other Portfolio(s) is/are unable to discharge such liabilities); and

D is the number of Converting Shares

"Conversion Reminder" the reminder of conversion rights to be sent by the Company to the relevant Shareholders prior to the commencement of each Conversion Notice Period in accordance with paragraph 10.1 or (in the case of A Shares) any notification given pursuant to paragraph 11.1

"Converting Portfolio" the Portfolio attributable to the class of Shares of which the relevant Converting Shares form part

"Converting Shares" Shares of any class in respect of which a valid Conversion Notice has been given (or is deemed to have been given)

"Elected Hedge Fund Shares" Hedge Fund Shares in respect of which a valid Conversion Notice has been lodged or received in accordance with paragraph 10.3 or paragraph 10.4 (as the case may be) but which have not yet been converted

"Global Equity Share Liabilities" those liabilities incurred by the Company in relation to the Global Equity Share Portfolio or the management thereof

"Global Equity Share Portfolio" the assets of the Company from time to time attributable to the Global Equity Shares, including:

(a) the cash or other proceeds of subscription for, or the payment up of, any Global Equity Share; and

(b) all rights or assets of the Company directly or indirectly attaching to, referable to, derived from or acquired using such cash or other proceeds or any rights or assets referred to in this sub-paragraph (b)

"Hedge Fund Share Election" an election in respect of Elected Hedge Fund Shares made (or deemed to have been made) in accordance with paragraph 10.6

"Hedge Fund Share Election Period" in relation to Elected Hedge Fund Shares, such period of not less than 30 days ending not more than 10 business days prior to the relevant Conversion Date as the Board may in its discretion determine and specify in the relevant Hedge Fund Share Election Reminder

"Hedge Fund Share Election Reminder" the reminder of election rights to be sent by the Company to holders of Elected Hedge Fund Shares prior to the commencement of each Hedge Fund Share Election Period in accordance with paragraph 10.6(a)

"Hedge Fund Share Liabilities" those liabilities incurred by the Company in relation to the Hedge Fund Share Portfolio or the management thereof

"Hedge Fund Share Portfolio" the assets of the Company from time to time attributable to the Hedge Fund Shares, including:

(a) the cash or other proceeds of subscription for, or the payment up of, any Hedge Fund Share; and

(b) all rights or assets of the Company directly or indirectly attaching to, referable to, derived from or acquired using such cash or other proceeds or any rights or assets referred to in this sub-paragraph (b)

"liabilities"	for the purpose of calculating any Conversion Ratio, shall include the amount of any interim or final dividend declared prior to the relevant Calculation Time which remains unpaid and any provision authorised by the Board for any interim or final dividend to be declared
"Managed Liquidity Share Liabilities"	those liabilities incurred by the Company in relation to the Managed Liquidity Share Portfolio or the management thereof
"Managed Liquidity Share Portfolio"	the assets of the Company from time to time attributable to the Managed Liquidity Shares, including: (a) the cash or other proceeds of subscription for, or the payment up of, any Managed Liquidity Share; and (b) all rights or assets of the Company directly or indirectly attaching to, referable to, derived from or acquired using such cash or other proceeds or any rights or assets referred to in this sub-paragraph (b)
"Portfolio"	the UK Equity Share Portfolio, the Global Equity Share Portfolio, the Hedge Fund Share Portfolio, the Managed Liquidity Share Portfolio or the A Share Portfolio (as the case may be)
"Receiving Portfolio"	the Portfolio attributable to the class of Shares into which any Converting Shares are to be converted on any Conversion Date
"Relevant Number"	in relation to each registered holding of Converting Shares to be converted on any Conversion Date, the result of multiplying the number of Converting Shares comprised in such holding by the Conversion Ratio applicable to conversions of Shares of the same class as the Converting Shares occurring on that Conversion Date (disregarding any resulting fractions)
"UK Equity Share Liabilities"	those liabilities incurred by the Company in relation to the UK Equity Share Portfolio or the management thereof
"UK Equity Share Portfolio"	the assets of the Company from time to time attributable to the UK Equity Shares, including: (a) the cash or other proceeds of subscription for, or the payment up of, any UK Equity Share; and (b) all rights or assets of the Company directly or indirectly attaching to, referable to, derived from or acquired using such cash or other proceeds or any rights or assets referred to in this sub-paragraph (b)
"Uncertificated Conversion Notice"	has the meaning given to it in paragraph 10.4
"Voting Record Time"	for the purpose of determining the number of votes which may be cast in respect of a Share at a general meeting of the Company, the close of business on such date (not being more than 10 business days prior to the date of the relevant meeting) as the Board may in its discretion determine.

1. Establishment of the UK Equity Share Portfolio, the Global Equity Share Portfolio, the Hedge Fund Share Portfolio, the Managed Liquidity Share Portfolio and the A Share Portfolio

Subject to, in the case of the UK Equity Share Portfolio, the Global Equity Share Portfolio and the Hedge Fund Share Portfolio, the Portfolio NAV of the relevant Portfolio as at Admission being not less than £10 million, the Board shall create and shall (so long as any Shares of the relevant class shall remain in issue) maintain the UK Equity Share Portfolio, the Global Equity Share Portfolio, the Hedge Fund Share Portfolio, the Managed Liquidity Share Portfolio and the A Share Portfolio so that the investments and other assets of the UK Equity Share Portfolio, the Global Equity Share Portfolio, the Hedge Fund Share Portfolio, the Managed Liquidity Share Portfolio and the A Share Portfolio respectively shall be held and maintained separately, or shall otherwise be distinguishable from each other. Any increase or diminution in the value of the investments or assets of any Portfolio shall be applied to that Portfolio.

2. Treatment of assets and liabilities of the Company

2.1 Without prejudice to paragraphs 2.5 and 2.6, the Board shall discharge:

(a) the UK Equity Share Liabilities first out of the assets comprising the UK Equity Share Portfolio;

(b) the Global Equity Share Liabilities first out of the assets comprising the Global Equity Share Portfolio;

(c) the Hedge Fund Share Liabilities first out of the assets comprising the Hedge Fund Share Portfolio;

(d) the Managed Liquidity Share Liabilities first out of the assets comprising the Managed Liquidity Share Portfolio; and

(e) the A Share Liabilities first out of the assets comprising the A Share Portfolio.

2.2 The Board shall procure that the Company's books of account, accounting and other records and bank accounts, and those of any nominees of the Company, shall be operated and prepared so that (a) the assets comprising the UK Equity Share Portfolio, the Global Equity Share Portfolio, the Hedge Fund Share Portfolio, the Managed Liquidity Share Portfolio and the A Share Portfolio and (b) the UK Equity Share Liabilities, the Global Equity Share Liabilities, the Hedge Fund Share Liabilities, the Managed Liquidity Share Liabilities and the A Share Liabilities can each be separately identified.

2.3 If any question shall arise as to whether any investment, cash or other asset or liability or expense of the Company is attributable to any Portfolio, the Board (having consulted with the Auditors) shall decide on the matter and the Board's decision shall be final and binding on the Company and all its members.

2.4 The Board may (having consulted with the Auditors) adjust the attribution of any investment, cash or other asset of the Company between the Portfolios to compensate for or reflect the contribution of each to the overall tax position of the Company and do whatever else is reasonable.

2.5 Any liabilities of the Company (including (a) the UK Equity Share Liabilities, the Global Equity Share Liabilities, the Hedge Fund Share Liabilities, the Managed Liquidity Share Liabilities and/or the A Share Liabilities, to the extent (if any) that they cannot be discharged in accordance with paragraph 2.1), (b) tax liabilities and (c) the liabilities and expenses of the Company incurred or accrued or provided for from time to time in the general management and administration of the Company shall be allocated to, and discharged out of the assets of, such one or more of the Portfolios on such basis and in such proportions as the Board shall consider to be fair and reasonable having regard to:

(a) the specific liabilities and expenses incurred or accrued or provided for in the management and administration of each of the Portfolios;

(b) the tax effects for the Company of the tax treatment of payments and receipts of each of the Portfolios of any revenue or capital deficit of such Portfolio and of dividends paid by the Company; and

(c) the asset value of each of the Portfolios, and so that the valuation of the Portfolios shall be prepared on a consistent basis and may be adjusted for the purposes of the Articles to take account of any realisation, acquisition or change in value, if and to the extent that the Board considers appropriate.

2.6 Without prejudice to paragraph 2.5:

(a) save as provided in sub-paragraph (b), the expenses incurred by the Company in connection with Admission shall be borne by the Company as a whole immediately prior to the establishment of, and shall not be taken account of in, the Portfolios; and

(b) stamp duty and/or stamp duty reserve tax payable on the transfer of any securities to the UK Equity Share Portfolio in connection with the Scheme shall be borne by the UK Equity Share Portfolio.

3. Dividends

3.1 The holders of the UK Equity Shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the UK Equity Share Portfolio and available for distribution and determined to be distributed by way of interim or final dividend at such times as the Board may in its discretion determine.

3.2 The holders of the Global Equity Shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the Global Equity Share Portfolio and available for distribution and determined to be distributed by way of interim or final dividend at such times as the Board may in its discretion determine.

3.3 The holders of the Hedge Fund Shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the Hedge Fund Share Portfolio and available for distribution and determined to be distributed by way of interim or final dividend at such times as the Board may in its discretion determine.

3.4 The holders of the Managed Liquidity Shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the Managed Liquidity Share Portfolio and available for distribution and determined to be distributed by way of interim or final dividend at such times as the Board may in its discretion determine.

3.5 The holders of the A Shares shall have the right to receive the revenue profits of the Company (including accumulated revenue reserves) attributable to the A Share Portfolio and available for distribution and determined to be distributed by way of interim or final dividend at such times as the Board may in its discretion determine.

4. Return of assets

4.1 On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprising the UK Equity Share Portfolio, after satisfaction of all UK Equity Share Liabilities and (to the extent determined by the Board pursuant to paragraph 2.5) any other liabilities of the Company, including without limitation the Global Equity Share Liabilities, the Hedge Fund Share Liabilities, the Managed Liquidity Share Liabilities and the A Share Liabilities not otherwise paid and satisfied, shall be paid to the holders of the UK Equity Shares (and distributed amongst such holders rateably according to the amounts paid up on the UK Equity Shares held by them respectively).

4.2 On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprising the Global Equity Share Portfolio, after satisfaction of all Global Equity Share Liabilities and (to the extent determined by the Board pursuant to paragraph 2.5) any other liabilities of the Company, including without limitation the UK Equity Share Liabilities, the Hedge Fund Share

Liabilities, the Managed Liquidity Share Liabilities and the A Share Liabilities not otherwise paid and satisfied, shall be paid to the holders of the Global Equity Shares (and distributed amongst such holders rateably according to the amounts paid up on the Global Equity Shares held by them respectively).

4.3 On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprising the Hedge Fund Share Portfolio, after satisfaction of all Hedge Fund Share Liabilities and (to the extent determined by the Board pursuant to paragraph 2.5) any other liabilities of the Company, including without limitation the UK Equity Share Liabilities, the Global Equity Share Liabilities, the Managed Liquidity Share Liabilities and the A Share Liabilities not otherwise paid and satisfied, shall be paid to the holders of the Hedge Fund Shares (and distributed amongst such holders rateably according to the amounts paid up on the Hedge Fund Shares held by them respectively).

4.4 On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprising the Managed Liquidity Share Portfolio, after satisfaction of all Managed Liquidity Share Liabilities and (to the extent determined by the Board pursuant to paragraph 2.5) any other liabilities of the Company, including without limitation the UK Equity Share Liabilities, the Global Equity Share Liabilities, the Hedge Fund Share Liabilities and the A Share Liabilities not otherwise paid and satisfied, shall be paid to the holders of the Managed Liquidity Shares (and distributed amongst such holders rateably according to the amounts paid up on the Managed Liquidity Shares held by them respectively).

4.5 On a return of assets, on a liquidation or otherwise, the surplus assets of the Company comprising the A Share Portfolio, after satisfaction of all A Share Liabilities and (to the extent determined by the Board pursuant to paragraph 2.5) any other liabilities of the Company, including without limitation the UK Equity Share Liabilities, the Global Equity Share Liabilities, the Hedge Fund Share Liabilities and the Managed Liquidity Share Liabilities not otherwise paid and satisfied, shall be paid to the holders of the A Shares (and distributed amongst such holders rateably according to the amounts paid up on the A Shares held by them respectively).

5. Voting – UK Equity Shares

5.1 The holders of the UK Equity Shares shall have the right to receive notice of and to attend and vote at any general meeting of the Company, except that the holders of the UK Equity Shares shall not by virtue of their holding of such shares have the right to vote on any resolution relating to the payment of a dividend on any other class of Shares. At any general meeting of the Company, on a show of hands every holder of UK Equity Shares who is present in person shall have one vote and on a poll every holder of UK Equity Shares who is present in person or by proxy shall, in respect of each UK Equity Share held by him, have the number of votes determined in accordance with the following formula:

$$V = \frac{A}{B}$$

where:

V = the number of votes for each UK Equity Share held by the relevant holder calculated to 5 decimal places;

A = the Portfolio NAV of the UK Equity Share Portfolio as at the Voting Record Time; and

B = the total number of UK Equity Shares in issue as at the Voting Record Time.

At any separate meeting of the holders of the UK Equity Shares, on a show of hands every holder of UK Equity Shares who is present in person shall have one vote and on a poll every holder of UK Equity Shares who is present in person or by proxy shall have one vote for every UK Equity Share of which he is the holder.

5.2 The Company shall not, without the previous sanction of an extraordinary resolution of the holders of the UK Equity Shares passed at a separate meeting of such holders convened and held in accordance with the Articles:

(a) pass a resolution to reduce any part of (i) the share capital of the Company consisting of UK Equity Shares or (ii) the share premium of the Company attributable to the UK Equity Share Portfolio in any manner;

(b) pass a resolution for the voluntary winding-up of the Company;

(c) alter the Memorandum or Articles of Association of the Company;

(d) pass a resolution authorising a liquidator to distribute *in specie* assets of the Company attributable to the UK Equity Share Portfolio on a winding-up of the Company; or

(e) pass a resolution sanctioning borrowings of the Company in excess of the limit imposed by the Articles.

6. Voting – Global Equity Shares

6.1 The holders of the Global Equity Shares shall have the right to receive notice of and to attend and vote at any general meeting of the Company, except that the holders of the Global Equity Shares shall not by virtue of their holding of such shares have the right to vote on any resolution relating to the payment of a dividend on any other class of Shares. At any general meeting of the Company, on a show of hands every holder of Global Equity Shares who is present in person shall have one vote and on a poll every holder of Global Equity Shares who is present in person or by proxy shall, in respect of each Global Equity Share held by him, have the number of votes determined in accordance with the following formula:

$$V = \frac{A}{B}$$

where:

V = the number of votes for each Global Equity Share held by the relevant holder calculated to 5 decimal places;

A = the Portfolio NAV of the Global Equity Share Portfolio as at the Voting Record Time; and

B = the total number of Global Equity Shares in issue as at the Voting Record Time.

At any separate meeting of the holders of the Global Equity Shares, on a show of hands every holder of Global Equity Shares who is present in person shall have one vote and on a poll every holder of Global Equity Shares who is present in person or by proxy shall have one vote for every Global Equity Share of which he is the holder.

6.2 The Company shall not, without the previous sanction of an extraordinary resolution of the holders of the Global Equity Shares passed at a separate meeting of such holders convened and held in accordance with the Articles:

(a) pass a resolution to reduce any part of (i) the share capital of the Company consisting of Global Equity Shares or (ii) the share premium of the Company attributable to the Global Equity Share Portfolio in any manner;

(b) pass a resolution for the voluntary winding-up of the Company;

(c) alter the Memorandum or Articles of Association of the Company;

(d) pass a resolution authorising a liquidator to distribute *in specie* assets of the Company attributable to the Global Equity Share Portfolio on a winding-up of the Company; or

(e) pass a resolution sanctioning borrowings of the Company in excess of the limit imposed by the Articles.

7. Voting – Hedge Fund Shares

7.1 The holders of the Hedge Fund Shares shall have the right to receive notice of and to attend and vote at any general meeting of the Company, except that the holders of the Hedge Fund Shares shall not by virtue of their holding of such shares have the right to vote on any resolution relating to the payment of a dividend on any other class of Shares. At any general meeting of the Company, on a show of hands every holder of Hedge Fund Shares who is present in person shall have one vote and on a poll every holder of Hedge Fund Shares who is present in person or by proxy shall, in respect of each Hedge Fund Share held by him, have the number of votes determined in accordance with the following formula:

$$V = \frac{A}{B}$$

where:

V = the number of votes for each Hedge Fund Share held by the relevant holder calculated to 5 decimal places;

A = the Portfolio NAV of the Hedge Fund Share Portfolio as at the Voting Record Time; and

B = the total number of Hedge Fund Shares in issue as at the Voting Record Time.

At any separate meeting of the holders of the Hedge Fund Shares, on a show of hands every holder of Hedge Fund Shares who is present in person shall have one vote and on a poll every holder of Hedge Fund Shares who is present in person or by proxy shall have one vote for every Hedge Fund Share of which he is the holder.

7.2 The Company shall not, without the previous sanction of an extraordinary resolution of the holders of the Hedge Fund Shares passed at a separate meeting of such holders convened and held in accordance with the Articles:

(a) pass a resolution to reduce any part of (i) the share capital of the Company consisting of Hedge Fund Shares or (ii) the share premium of the Company attributable to the Hedge Fund Share Portfolio in any manner;

(b) pass a resolution for the voluntary winding-up of the Company;

(c) alter the Memorandum or Articles of Association of the Company;

(d) pass a resolution authorising a liquidator to distribute *in specie* assets of the Company attributable to the Hedge Fund Share Portfolio on a winding-up of the Company; or

(e) pass a resolution sanctioning borrowings of the Company in excess of the limit imposed by the Articles.

8. Voting – Managed Liquidity Shares

8.1 The holders of the Managed Liquidity Shares shall have the right to receive notice of and to attend and vote at any general meeting of the Company, except that the holders of the Managed Liquidity Shares shall not by virtue of their holding of such shares have the right to vote on any resolution relating to the payment of a dividend on any other class of Shares. At any general meeting of the Company, on a show of hands every holder of Managed Liquidity Shares who is present in person shall have one vote and on a poll every holder of Managed Liquidity Shares who is present in person or by proxy shall, in respect of each Managed Liquidity Share held by him, have the number of votes determined in accordance with the following formula:

$$V = \frac{A}{B}$$

where:

V = the number of votes for each Managed Liquidity Share held by the relevant holder calculated to 5 decimal places;

A = the Portfolio NAV of the Managed Liquidity Share Portfolio as at the Voting Record Time; and

B = the total number of Managed Liquidity Shares in issue as at the Voting Record Time.

At any separate meeting of the holders of the Managed Liquidity Shares, on a show of hands every holder of Managed Liquidity Shares who is present in person shall have one vote and on a poll every holder of Managed Liquidity Shares who is present in person or by proxy shall have one vote for every Managed Liquidity Share of which he is the holder.

8.2 The Company shall not, without the previous sanction of an extraordinary resolution of the holders of the Managed Liquidity Shares passed at a separate meeting of such holders convened and held in accordance with the Articles:

(a) pass a resolution to reduce any part of (i) the share capital of the Company consisting of Managed Liquidity Shares or (ii) the share premium of the Company attributable to the Managed Liquidity Share Portfolio in any manner;

(b) alter the Memorandum or Articles of Association of the Company;

(c) pass a resolution authorising a liquidator to distribute *in specie* assets of the Company attributable to the Managed Liquidity Share Portfolio on a winding-up of the Company; or

(d) pass a resolution sanctioning borrowings of the Company in excess of the limit imposed by the Articles.

9. Voting – A Shares

9.1 The holders of the A Shares shall have the right to receive notice of and to attend and vote at any general meeting of the Company, except that the holders of the A Shares shall not by virtue of their holding of such shares have the right to vote on any resolution relating to the payment of a dividend on any other class of Shares. At any general meeting of the Company, on a show of hands every holder of A Shares who is present in person shall have one vote and on a poll every holder of A Shares who is present in person or by proxy shall, in respect of each A Share held by him, have the number of votes determined in accordance with the following formula:

$$V = \frac{A}{B}$$

where:

V = the number of votes for each A Share held by the relevant holder calculated to 5 decimal places;

A = the Portfolio NAV of the A Share Portfolio as at the Voting Record Time; and

B = the total number of A Shares in issue as at the Voting Record Time.

At any separate meeting of the holders of the A Shares, on a show of hands every holder of A Shares who is present in person shall have one vote and on a poll every holder of A Shares who is present in person or by proxy shall have one vote for every A Share of which he is the holder.

9.2 The Company shall not, without the previous sanction of an extraordinary resolution of the holders of the A Shares passed at a separate meeting of such holders convened and held in accordance with the Articles:

(a) pass a resolution to reduce any part of (i) the share capital of the Company consisting of A Shares or (ii) the share premium of the Company attributable to the A Share Portfolio in any manner;

(b) pass a resolution for the voluntary winding-up of the Company;

(c) alter the Memorandum or Articles of Association of the Company;

(d) pass a resolution authorising a liquidator to distribute *in specie* assets of the Company attributable to the A Share Portfolio on a winding-up of the Company; or

(e) pass a resolution sanctioning borrowings of the Company in excess of the limit imposed by the Articles.

10. Conversion of UK Equity Shares, Global Equity Shares, Hedge Fund Shares and Managed Liquidity Shares

10.1 Subject to the provisions of this paragraph 10, each holder of Shares (other than A Shares) shall be entitled to convert all or any of his Shares into any other class of Shares (other than A Shares), save that no Shareholder shall be entitled to convert his Shares into a class of Shares of which no shares are in issue as at the business day immediately preceding the relevant Conversion Date or in respect of which a notice has been given pursuant to paragraph 10.18. The Company will send to Shareholders (other than holders of A Shares) reminders of their conversion rights in such form as the Board may from time to time prescribe prior to the commencement of each Conversion Notice Period in relation to the relevant Shares.

10.2 A **"Conversion Notice"** means, in relation to any Shares that are in certificated form with respect to any Conversion Date, a Certificated Conversion Notice (as defined in paragraph 10.3) and, in relation to any Shares that are in uncertificated form with respect to any Conversion Date, an Uncertificated Conversion Notice (as defined in paragraph 10.4). Whether any Shares are in certificated or uncertificated form with respect to any Conversion Date shall be determined by reference to the register of members as at the end of the relevant Conversion Notice Period or such other time as the Board may (subject to the facilities and requirements of the relevant system concerned) in its discretion determine.

10.3 In relation to any Shares that are in certificated form with respect to any Conversion Date, the right to convert shall be exercised (and treated by the Company as exercised) on that Conversion Date if a notice in such form as the Board may from time to time prescribe (a **"Certificated Conversion Notice"**) is duly completed and lodged with the Registrars at any time during the Conversion Notice Period relating to that Conversion Date, together with such other evidence (if any) as the Board may reasonably require (and specify in the Conversion Reminder) of the title and claim of the person exercising such right to convert. To be valid, a Certificated Conversion Notice relating to Shares held jointly must be signed by all holders, unless otherwise decided by the Board.

10.4 In relation to any Shares that are in uncertificated form with respect to any Conversion Date, the right to convert shall be exercised (and treated by the Company as exercised) on that Conversion Date if an Uncertificated Conversion Notice is received as referred to below at any time during the Conversion Notice Period relating to that Conversion Date. For these purposes, an **"Uncertificated Conversion Notice"** shall mean a properly authenticated electronic instruction and/or other instruction or notification received by the Company (or by such person as it may require) in such form and subject to such conditions as may from time to time be prescribed by the Board (subject always to the facilities and requirements of the relevant system concerned). The Board may in addition determine when any such properly authenticated electronic instruction and/or other instruction or notification is to be treated as received by the Company (or by such person as it may require) for these purposes (subject always to the facilities and requirements of the relevant system concerned) and may treat instructions or notifications as received only once settled.

10.5 A Conversion Notice once lodged (in the case of a Certificated Conversion Notice) or received (in the case of an Uncertificated Conversion Notice) may not be withdrawn without the consent in writing of the Company.

10.6 (a) The Company shall, no earlier than 50 days and no later than 40 days prior to each Conversion Date, send to the holders of Elected Hedge Fund Shares a Hedge Fund Share Election Reminder together with, in the case of Elected Hedge Fund Shares which are in certificated form immediately prior to the despatch of the relevant Hedge Fund Share Election Reminder, a form of election in such form as the Board may from time to time prescribe (an **"Election Form"**), pursuant to which the holder of such Elected Hedge Fund Shares may elect for the class or classes of Shares (other than Hedge Fund Shares) into which his Elected Hedge Fund Shares are to be converted on that Conversion Date.

(b) For the purpose of Hedge Fund Share Elections, whether any Elected Hedge Fund Shares are in certificated or uncertificated form with respect to any Conversion Date shall be determined by reference to the register of members as at the end of the relevant Hedge Fund

Share Election Period or such other time as the Board may (subject to the facilities and requirements of the relevant system concerned) in its discretion determine.

(c) In relation to any Elected Hedge Fund Shares that are in certificated form with respect to any Conversion Date, the right to elect for the class or classes of Shares (other than Hedge Fund Shares) into which the relevant Elected Hedge Fund Shares are to be converted on that Conversion Date shall be exercised (and treated by the Company as exercised) if an Election Form is duly completed and lodged with the Registrars at any time during the Hedge Fund Share Election Period relating to that Conversion Date, together with such evidence (if any) as the Board may reasonably require (and specify in the Hedge Fund Share Election Reminder) of the title and claim of the person exercising such right of election. To be valid, a Election Form relating to Shares held jointly must be signed by all holders, unless otherwise decided by the Board.

(d) In relation to any Elected Hedge Fund Shares that are in uncertificated form with respect to any Conversion Date, the right to elect for the class or classes of Shares (other than Hedge Fund Shares) into which the relevant Elected Hedge Fund Shares are to be converted on that Conversion Date shall be exercised (and treated by the Company as exercised) if an Uncertificated Election Notice is received as referred to below at any time during the Hedge Fund Share Election Period relating to that Conversion Date. For these purposes, an **"Uncertificated Election Notice"** shall mean a properly authenticated electronic instruction and/or other instruction or notification received by the Company (or by such person as it may require) in such form and subject to such conditions as may from time to time be prescribed by the Board (subject always to the facilities and requirements of the relevant system concerned). The Board may in addition determine when any such properly authenticated electronic instruction and/or other instruction or notification is to be treated as received by the Company (or by such person as it may require) for these purposes (subject always to the facilities and requirements of the relevant system concerned) and may treat instructions or notifications as received only once settled.

(e) An Election Form or Uncertificated Election Notice (each a **"Hedge Fund Share Election Notice"**), once given, may not be withdrawn without the consent in writing of the Company.

(f) To the extent that a valid election is not received in accordance with paragraph 10.6(c) or paragraph 10.6 (d) by the end of the relevant Hedge Fund Share Election Period, the relevant holder shall be deemed to have elected to convert his Elected Hedge Fund Shares into Managed Liquidity Shares or, if at the relevant time there shall be no Managed Liquidity Shares in issue or the Managed Liquidity Shares shall be Affected Shares (as defined in paragraph 10.18(a)), such class of Shares as the Board may in its discretion determine.

10.7 Conversion of any Shares which are (or are deemed to be) the subject of a valid Conversion Notice and (if applicable) a valid Hedge Fund Share Election Notice and are due to be converted on any Conversion Date shall be effected in accordance with paragraphs 10.8 and 10.9. To the extent that a Conversion Notice or a Hedge Fund Share Election Notice relates to Shares into which the holder of Converting Shares is not entitled to convert by reason of paragraph 10.1, such Conversion Notice or Hedge Fund Share Election Notice shall, to the extent of such proposed conversion, be treated as a conversion into Managed Liquidity Shares or, if at the relevant time there shall be no Managed Liquidity Shares in issue or the Managed Liquidity Shares shall be Affected Shares (as describ ed in paragraph 10.18(a)), such class of Shares as the Board may in its discretion determine.

10.8 As soon as practicable after the Calculation Time for each Conversion Date the Directors shall take all reasonable steps to determine:

(a) each of the Conversion Ratios between the different classes of Shares applicable on such Conversion Date, which shall be calculated on the basis of and taking into account all valid Conversion Notices and Hedge Fund Share Election Notices lodged or received (or deemed to have been given), but for the avoidance of doubt before giving effect to any conversions to be effected on that Conversion Date;

(b) the number and class of Shares and, if applicable, in accordance with paragraph 10.9(b), Deferred Shares to which each holder of Converting Shares is entitled on conversion;

(c) any adjustments required to be made under paragraph 10.17(d); and

(d) the aggregate of the fractional entitlements to UK Equity Shares, Global Equity Shares, Hedge Fund Shares or Managed Liquidity Shares (as the case may be) of Shareholders who have exercised (or deemed to have exercised) conversion rights.

10.9 Following completion of the matters set out in paragraph 10.8 and with effect from the relevant Conversion Date, in relation to each registered holding of Converting Shares:

(a) where the Conversion Ratio applicable to such Shares is 1.0, each of the Shares comprised in such holding of Converting Shares shall (without the need for any resolution of the Company) be converted into, and reclassified as, a Share of the class into which the relevant holder has elected (or is deemed to have elected) to convert;

(b) where the Conversion Ratio applicable to such Shares is less than 1.0:

(i) the Relevant Number of the Shares comprised in such holding of Converting Shares shall (without the need for any resolution of the Company) be converted into, and reclassified as, Shares of the class into which the relevant holder has elected (or is deemed to have elected) to convert; and

(ii) each of the Converting Shares comprised in such holding which is not reclassified in accordance with sub-paragraph (i) above shall (without the need for any resolution of the Company) be converted into, and reclassified as, a Deferred Share; and

(c) where the Conversion Ratio applicable to such Shares is greater than 1.0, each Converting Share comprised in such holding shall (without the need for any resolution of the Company) be converted into, and reclassified as, one Share of the class into which the holder of the relevant Converting Share has elected (or is deemed to have elected) to convert and such further number of new Shares of the relevant class as shall be required to make up the shortfall between the number of Converting Shares comprised in the relevant holding and the Relevant Number shall be allotted and issued credited as fully paid to such holder by way of capitalisation of reserves attributable (unless the Board shall in its discretion determine otherwise) to the Receiving Portfolio (which capitalisation shall, notwithstanding any other provision of the Articles, not require the authority of an ordinary resolution of the Company), and so that the converted and reclassified Shares and the Shares issued by way of capitalisation of reserves shall be treated as a single holding.

Where Shares of a particular class are, pursuant to a Conversion Notice or a Hedge Fund Share Election Notice, to be converted on any Conversion Date into more than one class of Shares, the provisions of this paragraph 10.9 shall be applied separately in relation to each class of Shares into which the Converting Shares are to be converted as if there was a separate registered holding of Converting Shares for each such class.

10.10 The Board shall procure that assets (which may comprise investments, cash or other current assets or any combination of investments, cash or other current assets) equal in value to the Applicable Proportion of the Portfolio NAV (after taking account of the deductions (if any) referred to in A in the definition of Conversion Ratio) of the Converting Portfolio shall be transferred from the Converting Portfolio to the Receiving Portfolio. The assets to be transferred in connection with any conversion of one class of Shares to another class of Shares and the accounting treatment of such transfers shall be determined from time to time by the Board. The Board shall procure that all necessary accounting entries, including, if the Board so determines, to reflect amounts owed by one Portfolio to another, are made so as to give effect to and record such conversions and transfers.

10.11 The Company will use its reasonable endeavours to procure that the Shares arising on conversion are admitted to the Official List and to trading on the London Stock Exchange's market for listed securities. The Board shall, as soon as is practicable following each Conversion Date, allot Shares of the relevant class as near as may be representing the fractional entitlements referred to in paragraph 10.8(d) to a market maker on behalf of the Shareholders entitled thereto, who shall be instructed to sell those Shares promptly at the best price obtainable. The proceeds of sale shall be paid to the Shareholders entitled thereto, save that, unless otherwise decided by the Board, entitlements per registered holder of less than £10 shall be retained by the Company for the benefit of the relevant Portfolio.

10.12 The Shares arising on conversion shall carry the right to receive all dividends and other distributions declared, paid or made on the Shares of the relevant class by reference to a record date falling on or after the Conversion Date on which they arise, but not by reference to a record date falling before that Conversion Date and shall otherwise rank *pari passu* in all respects, and form one class, with the Shares of such class then in issue and fully paid.

10.13 Unless the Board otherwise determines or unless the regulations and/or the rules of the relevant system concerned otherwise require, the Shares arising on conversion shall be, or shall be issued (as appropriate), in uncertificated form (where the Shares from which such Shares were converted were in uncertificated form on the Conversion Date concerned) or in certificated form (where the Shares from which such Shares were converted were in certificated form on the Conversion Date concerned).

10.14 Any Deferred Shares arising on conversion will be in certificated form (unless the Board otherwise determines), will (save as provided below) not be transferable and will not entitle the holder to any repayment of capital on a return of assets (except for the sum of 1p payable after the sum of £10,000 has been paid in respect of each UK Equity Share, Global Equity Share, Hedge Fund Share and Managed Liquidity Share) or to receive notice of or attend or vote at any general meeting of the Company. The Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders to a cumulative dividend at a fixed rate of 0.001 per cent. per annum of the nominal amount thereof payable on the date falling 18 months after the Conversion Date on which they arise to the holders of Deferred Shares on the register on that date, but shall confer no other right to share in the profits of the Company. Each Deferred Share arising on conversion may be purchased by the Company at its discretion at any time following conversion for an aggregate consideration of 1p for all of the Deferred Shares so purchased and, unless otherwise stated therein, the notice referred to in paragraph 10.15(b) shall be deemed to constitute notice of such purchase. The Company shall not be obliged to account to any holder of Deferred Shares for the purchase monies. Deferred Shares may be registered in a single nominee name on behalf of all holders.

10.15 On or as soon as practicable after each Conversion Date, the Company shall:

(a) announce the Conversion Ratios applicable on the relevant Conversion Date and the number of Shares of each class arising from conversions on that Conversion Date in accordance with the Listing Rules;

(b) notify holders of Converting Shares of the Conversion Ratio(s) applicable to their Converting Shares; and

(c) send to each holder of Converting Shares that are in certificated form, by post at his own risk, free of charge, a definitive certificate for the appropriate number in each case of fully paid Shares arising on conversion and a new certificate for any unconverted Shares comprised in any certificates surrendered by him. In the meantime, transfers by such holders of Shares in certificated form shall be certified against the register.

10.16 The Board may from time to time set guidelines for the determination of the value of investments, current assets and liabilities of the Company to be used in the calculation of the Conversion Ratios. These guidelines may include the method of valuing quoted and unquoted investments, the treatment of any non-sterling denominated investments, assets or liabilities, the accrual policy for income and expenses, the basis for valuing the linked debt securities included in the Hedge Fund Share Portfolio (which will have regard to the latest available valuations and (where available) estimated values of the underlying hedge funds in which Fauchier Managed Funds are invested) and such other matters as the Board in its absolute discretion considers appropriate. The Board shall from time to time be entitled to make such changes to the guidelines as may be fair and reasonable, subject to the prior approval from the Auditors.

10.17 The Board may:

(a) change the date or dates on which Conversion Dates fall;

(b) set additional Conversion Dates;

(c) change the period of days and the time specified in the definitions of “Conversion Notice Period” and “Hedge Fund Share Election Period” and/or treat a Conversion Notice or Hedge Fund Share Election as effective in respect of a Conversion Date, notwithstanding that the Conversion Notice or Hedge Fund Share Election is received outside the Conversion Notice Period or Hedge Fund Share Election Period (as the case may be) relating to that Conversion Date;

(d) at any time prior to the completion of the matters set out in paragraph 10.9 in respect of a Conversion Date, cancel, postpone to a later date set by the Board or scale back any or all conversions of Converting Shares due to occur on that Conversion Date if the Board determines that such a cancellation, postponement or scaling-back would be in the best interests of Shareholders (or any class thereof) (including without limitation where it is necessary or desirable to ensure the continued listing of any class of the Shares or to take account of the relative illiquidity of the underlying investments of the Fauchier Managed Funds to the performance of which the Hedge Fund Share Portfolio will be linked); and

(e) make such other changes to the procedure by which or the basis on which Shares are to convert as the Board (after consultation with the Auditors) shall consider fair and reasonable.

10.18 (a) If, at any time, the Board considers that the listing of any class of Shares (the **“Affected Shares”**) on the Official List is likely to be cancelled and the loss of such listing would mean that the Company would no longer be able to qualify for approval as an investment trust under section 842 of the Taxes Act, then the Board may serve written notice on the holders of the Affected Shares specifying a compulsory Conversion Date not less than 40 days and not more than 50 days following the date of the notice. If such a notice is given, then each holder of Affected Shares who shall not have given a valid Conversion Notice by the end of the period specified in the notice shall be deemed to have given a valid Conversion Notice to convert his entire holding of Affected Shares into Managed Liquidity Shares or, if at the relevant time there shall be no Managed Liquidity Shares in issue or the Managed Liquidity Shares shall be Affected Shares, such class of Shares as the Board may in its discretion determine.

(b) The provisions of paragraphs 10.1 to 10.17 (both inclusive) and paragraph 10.19 shall apply *mutatis mutandis* to conversions pursuant to paragraph (a) above.

10.19 All calculations required to be carried out for the purpose of the conversion of any class of Shares into another class of Shares shall be expressed to three decimal places.

11. Conversion of A Shares

11.1 Subject to the provisions of paragraphs 11.2 and 11.3, each holder of A Shares shall be entitled to convert all or any of his A Shares into any other class of Shares, during such period or periods as the Board may in its discretion determine, by giving a Conversion Notice to be lodged or received (as the case may be) during the Conversion Notice Period specified in the relevant Conversion Reminder Notice save that such holder shall not be entitled to convert his Shares into a class of Shares of which no shares are in issue as at the business day immediately preceeding the relevant Conversion Date or in respect of which a notice has been given pursuant to paragraph 10.18. The Company will notify each holder of A Shares of his conversion rights prior to the commencement of each Conversion Notice Period applicable to the A Shares. If the Board shall in its discretion determine that any Conversion Date applicable to the A Shares is to be the final date for conversion of A Shares, such fact shall be specified in the relevant notification of conversion rights.

11.2 Where, in accordance with paragraph 11.1, the Company has notified holders of A Shares that a Conversion Date is to be the final date for conversion of A Shares, if any holder of A Shares fails to give a Conversion Notice in respect of any of his A Shares prior to the end of the relevant Conversion Notice Period, such holder shall be deemed to have given a valid Conversion Notice in relation to all his A Shares to convert such Shares into Managed Liquidity Shares.

11.3 For the purposes of any conversion of A Shares in accordance with this paragraph 11, the provisions of paragraphs 10.2 to 10.19 (both inclusive) shall apply *mutatis mutandis.*

PART 3

Taxation

The information in this Part 3 is based on current law and regulation (which may change), is given by way of general summary only and does not constitute legal or tax advice to any Shareholder. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Shares, they should seek advice from their own professional advisers.

Taxation of Shareholders on a disposal of Shares

Any gains on a disposal (which includes a disposal on a winding-up) of Shares by UK resident or ordinarily resident Shareholders may give rise to a liability to UK taxation on capital gains. An individual will be taxed on such a gain at 10 per cent., 20 per cent. or 40 per cent. for gains below the starting rate limit, between the starting rate limit and the basic rate limit and above the basic rate limit respectively, but this may be reduced by the annual exemption (£8,800 for the tax year 2006-2007) and taper relief, which will reduce the amount of chargeable gain according to how long (measured in complete years) the Shares have been held. Corporate Shareholders may be entitled to an indexation allowance.

For the purposes of UK taxation of capital gains, a Shareholder will not be regarded as having disposed of his Shares on making the decision or being deemed to have decided (in accordance with paragraph 10 of Part 2 of this document) to convert all or any of his Shares into any other class of Shares. Instead such holder will be regarded as having acquired the new class of Shares at the same time and for the same aggregate base cost as his or her original class of Shares were acquired.

Shareholders who are not resident or ordinarily resident in the UK for the purpose of UK taxation will not normally be liable to UK taxation on chargeable gains arising from a disposal of their Shares unless they carry on a trade, profession or vocation in the UK through a branch, agency or permanent establishment in connection with which the Shares are held. However, such Shareholders may be subject to foreign taxation depending on their personal circumstances.

Taxation of Shareholders in respect of dividends

Under current UK law, no tax will be withheld by the Company when it pays a dividend. However, individual Shareholders resident in the UK (for tax purposes) will be entitled to a tax credit in respect of dividends paid by the Company at the rate of one-ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and the associated tax credit (the "**Tax Credit Amount**"). Such Shareholders will be liable to income tax (if at all) on the aggregate of the dividend and the associated tax credit at, in the case of starting and basic rate taxpayers, the dividend ordinary rate (10 per cent. in 2006-2007) or, in the case of higher rate taxpayers, the dividend upper rate (32.5 per cent. in 2006-2007). The Tax Credit Amount will be offset against their total income tax liability. Taxpayers who, after taking into account dividend income, are liable to UK income tax at only the starting or basic rate will have no further liability to income tax.

Shareholders will generally not be able to reclaim tax credits in respect of dividends.

A company resident in the UK for tax purposes will not generally be liable to UK corporation tax on any dividend received from the Company.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of definitive certificates unless they are issued to persons to whom the depositary receipt or clearance service charge to stamp duty reserve tax may apply at the rate of 1.5 per cent. of the Issue Price. Any transfer of Shares will be liable to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) or (if an unconditional agreement to transfer the Shares is not completed by a duly stamped transfer) stamp duty reserve tax at the rate of 0.5 per cent. of the actual consideration paid. Liability to pay any stamp duty or stamp duty reserve tax is generally that of the purchaser or transferee.

Special rules apply to agreements made by market makers and broker-dealers in the ordinary course of their business.

Paperless transfers of Shares within CREST are liable to stamp duty reserve tax (usually at the rate at 0.5 per cent. of the actual consideration paid) rather than stamp duty and stamp duty reserve tax on relevant transactions settled within the system or reported through it for regulatory purposes is collected by CREST.

Self-invested Personal Pension Schemes ("SIPPs")

The Company will constitute permitted investments for SIPPs.

ISAs and PEPs

Insofar as is possible, the Directors intend to manage the affairs of the Company so that the Shares will be qualifying investments for the purposes of ISAs and PEPs. Accordingly, the Shares will be eligible for inclusion in the stocks and shares components of an ISA and/or within a PEP, subject to applicable subscription limits, and provided that the ISA or PEP manager has been issued the Shares under the Scheme or acquired them through the secondary market following Admission.

If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of Shares, they should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser.

PART 4

General information

1. Responsibility

The Company and the Directors of the Company, whose names are set out on page 14 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors of the Company (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 affect the import of such information.

2. Listing

2.1 Application has been made to the UK Listing Authority for the Shares, in issue and which may be issued in connection with the Scheme (up to a maximum of 200 million Shares), to be admitted to the Official List. Application has also been made to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective, and that dealings in such Shares will commence, on 17 November 2006.

2.2 The Shares to be issued in connection with the Scheme are not available to the public.

2.3 A copy of this document, which comprises a prospectus relating to the Company prepared in accordance with the Listing Rules and the Prospectus Rules has been filed with the FSA in accordance with Rule 3.2 of the Prospectus Rules.

3. History and status of the Company

3.1 The Company was incorporated and registered in England and Wales on 25 August 2006 as a public limited company under the Act with registered number 5916642.

3.2 The Company operates under the Act and the regulations made thereunder but is not subject to any specific regulatory regime. Its legal and commercial name is Invesco Perpetual Select Trust plc.

3.3 Since its incorporation the Company has not traded.

3.4 The Company has given notice of its intention to carry on business as an investment company within the meaning of section 266 of the Act.

3.5 The Company obtained a certificate under section 117 of the Act, entitling it to do business and exercise borrowing powers, on 6 September 2006.

4. Share capital

4.1 On incorporation the authorised share capital of the Company was £100,000 divided into 100,000 ordinary shares of £1 each. On incorporation 2 ordinary shares were agreed to be taken by the subscribers to the Memorandum of Association. These shares were transferred to Invesco Perpetual on 18 August 2006; these shares are fully paid up.

4.2 To enable the Company to obtain a certificate under section 117 of the Act, on 25 August 2006 50,000 unissued ordinary shares of £1 each were redesignated as 50,000 redeemable preference shares of £1 each and such shares were allotted to Invesco Perpetual against its irrevocable undertaking to pay 25p in cash for each such share by not later than 31 January 2007 and the balance on demand thereafter. Such redeemable preference shares will be paid up once the Company is in a position to redeem such shares, following which such shares will be redeemed out of the special reserve arising on cancellation of the Company's share premium account. The unissued share capital arising on the redemption of the redeemable preference shares will be redesignated on such redemption as Deferred share capital.

4.3 By ordinary and special resolutions passed on 12 October 2006:

(a) each of the existing issued and unissued ordinary shares of £1 in the capital of the Company was sub-divided into, and redesignated as, 100 UK Equity Shares of 1p each;

(b) the authorised share capital of the Company was increased from £100,000 to £10,050,000 by the creation of 195,000,000 UK Equity Shares of 1p each, 200,000,000 Global Equity Shares of 1p each, 200,000,000 Hedge Fund Shares of 1p each, 200,000,000 Managed Liquidity Shares of 1p each and 100,000,000 A Shares of 1p each and 100,000,000 Deferred Shares of 1p each;

(c) the Directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £3,000,000, such authority to expire at the first Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting);

(d) the Directors were empowered (pursuant to section 95(1) of the Act) to allot equity securities (as defined in section 94(2) to 94(3A) of the Act) for cash pursuant to the authority referred to in sub paragraph 4.3(c) above and to sell equity securities for cash which are held by the Company in treasury as if section 89(1) of the Act did not apply to any such allotment and sales, such authority to expire at the conclusion of the first Annual General Meeting of the Company (unless previously revoked, varied or extended by the Company in general meeting).

(e) the Company altered the main objects clause of its Memorandum of Association;

(f) the Company adopted new Articles of Association;

(g) conditionally on Admission becoming effective by no later than 31 December 2006 and on confirmation of the Court, it was resolved that the whole of the amount standing to the credit of the Company's share premium account immediately following Admission be cancelled; and

(h) the Company was authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of Shares, provided that the maximum number of Shares (of each class) authorised to be purchased is 14.99 per cent. of the Shares of such class in issue immediately following Admission. The minimum price which may be paid for a Share is 1p and the maximum price which may be paid for a Share is determined by the Listing Rules at the time of purchase (which currently set a maximum equal to 5 per cent. above the average market value for a Share taken from the Daily Official List for the five business days prior to the day on which the purchase is made). Such authority will expire at the conclusion of the first Annual General Meeting of the Company.

4.4 The issued share capital of the Company immediately following the Issue will depend on the elections that are made (or deemed to have been made) under the Scheme. On the assumption that (a) valid elections to receive Shares are made (or deemed to be made) under the Scheme in respect of all the MLAA Shares and FRNs currently in issue and outstanding, (b) the value of the assets of MLAA transferred to the Company in connection with the Scheme are £130.6 million, (c) elections for each class of Shares are made in equal proportions and (d) the value of elections for Hedge Fund Shares is at least equal to the value of MLAA's assets represented by illiquid hedge fund investments with the result that no A Shares fall to be issued under the Scheme, following the redemption of the redeemable preference shares referred to in paragraph 4.2 above the authorised and issued share capital of the Company would be as follows:

Authorised			*Issued and fully paid*	
£	*Number*		*£*	*Number*
1,950,000	195,000,000	UK Equity Shares	326,500	32,650,000
2,000,000	200,000,000	Global Equity Shares	326,500	32,650,000
2,000,000	200,000,000	Hedge Fund Shares	326,500	32,650,000
2,000,000	200,000,000	Managed Liquidity Shares	326,500	32,650,000
1,000,000	100,000,000	A Shares	–	–

4.5 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are or are to be paid up in, or sold for, cash) have been disapplied in respect of £3 million of authorised but unissued share capital of the Company as mentioned in paragraph 4.3(d) above. The disapplication is to facilitate issues of Shares and sales of treasury shares in the future.

4.6 The Shares to be issued in connection with the Scheme will be allotted by resolution of the Board (or a duly authorised committee thereof) which is expected to be passed on or about 16 November 2006, to the liquidators of MLAA, who will renounce such allotment in favour of the shareholders and Noteholders of MLAA who have validly elected (or are deemed to have elected) to receive Shares pursuant to the Scheme.

4.7 Following the Issue, the issued share capital of the Company will be fully paid as to its nominal value. The Issue Price of 100p represents a premium of 99p over the 1p nominal value per Share.

4.8 Save as disclosed in this paragraph 4, since the Company's incorporation no share or loan capital of the Company has been issued or agreed to be issued or is proposed to be issued prior to Admission for cash or for a consideration other than cash and no discounts, commissions, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital. No share capital of the Company is under option or has been agreed conditionally or unconditionally to be put under option.

4.9 The Shares will be delivered in registered form and Share certificates will be issued to Shareholders other than those holding their Shares through CREST. Temporary documents of title will not be issued.

5. Directors' and other interests

5.1 As at the date of this document, none of the Directors has any interest (beneficial or non-beneficial) in the share capital of the Company which (a) has been notified by any Director to the Company pursuant to section 324 or 328 of the Act, (b) is required pursuant to section 325 of the Act to be entered in the register referred to therein or (c) is an interest of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (a) or (b) above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director.

5.2 The Directors, who are directors of MLAA and are interested in MLAA Shares and FRNs, intend to elect to receive Shares under the Scheme. The exact number of Shares of each class which they will receive if the Scheme becomes effective will depend on the class or classes of Shares for which they elect, the net assets of MLAA immediately prior to commencement of the winding-up of MLAA and the level of the liquidators' retention, but using the same assumptions as are made for the purposes of paragraph 4.4 above, the interests of the Directors in the Company's issued share capital immediately following Admission would be as follows:

	Number of Shares
Michael Mason	36,221
Patrick Gifford	36,221
John Martin	5,174
Peter Stormonth Darling	3,427,775
Stephen Zimmerman	7,209,001

All of the above interests would be beneficial.

5.3 Each of the Directors acts pursuant to a letter of appointment dated 13 October 2006. Michael Mason is entitled to an annual fee of £27,500 for his services as chairman of the Board. Patrick Gifford is entitled to an annual fee of £22,000 for his services as a director and chairman of the Audit and Management Engagement Committees. Each of the other Directors is entitled to an annual fee of £18,500 for his services as a director. The initial period of each Director's appointment is until the Annual General Meeting of the Company in 2007. The appointment may, by mutual agreement between the Company and the Director concerned, be extended at that point. The Directors are subject to retirement by rotation in accordance with the Combined Code and the Articles (as described in paragraph 7 of this Part 4).

5.4 The aggregate of the remuneration (including any contingent or deferred compensation) to be paid to the Directors by the Company for the Company's first financial period from incorporation to 31 May 2007 is not expected to exceed £55,000 and for a full financial year is not expected to exceed £110,000. The current aggregate limit on Directors' fees under the Articles is £200,000. Future amounts of remuneration to be paid to the Directors in consideration for their services to the Company will be determined by the Board in accordance with the Articles. The total emoluments receivable by the Directors will not be varied in consequence of the Issue.

5.5 There are no existing or proposed service contracts between any of the Directors and the Company. No member of the Company's management body (being the Board of Directors) has a service contract which provides for benefits on termination of employment.

5.6 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company. The Company will ensure that appropriate levels of directors and officers' liability insurance for the benefit of the Directors are in place.

5.7 There are no actual or potential conflicts of interest between the duties of the Directors to the Company and their respective private interests or other duties.

5.8 Each Director is also a director of, and shareholder in, MLAA and therefore has an interest in the Transfer Agreement, details of which are given at paragraph 8.1(d) of this Part 4, under which assets held by MLAA will be transferred to the Company.

5.9 Save as disclosed in this paragraph 5, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company which has been effected by it since its incorporation.

5.10 The companies and partnerships of which the Directors currently are or have been members of the administrative, management or supervisory bodies or partners at any time during the five years preceding the date of this document (excluding subsidiaries of such companies or partnerships) are as follows:

Director	*Current directorships*	*Past directorships*
Michael Mason	Merrill Lynch Asset Allocator plc Rage plc	—
Patrick Gifford	Aldeburgh Yacht Club AlphaGen Aldebaran Fund JPMorgan Russian Securities plc Martin Currie Pacific Trust plc Merrill Lynch Asset Allocator plc Murray Income Trust plc Premier UK Dual Return Trust plc Tapestry Investment Company PCC Limited 3i European Technology Trust plc (in liquidation) Vtesse Networks Limited	Furlong Investment Management Fleming Poland Fund (dissolved) Fleming Russian Securities Fund (dissolved) Fleming CBO 1 (dissolved) Giles House Limited JF Fledgeling Japan Investment Co Limited (dissolved) JPMorgan Emerging Markets Investment Trust plc JPMorgan European Fledgeling Investment Trust plc JPMorgan Fleming Japanese Investment Trust plc JPMorgan Fleming Japanese Smaller Companies Investment Trust plc NIB Holdings International Limited The Fleming Leveraged Emerging Markets Portfolio (dissolved)

Director	*Current directorships*	*Past directorships*
Patrick Gifford *(continued)*		The Fleming Far Eastern Investment Trust PLC (dissolved) The Tor Investment Trust plc (dissolved) Westvale Securities Limited (dissolved)
John Martin	Beams Limited Hertfordshire Building Preservation Trust Limited Home-Start East Herts Merrill Lynch Asset Allocator plc Stocksfield Limited The Walker Cricket Ground Trust, Southgate	Kingfisher Pension Trustee
Peter Stormonth Darling	Advent Capital (Holdings) plc Alta Advisers Limited Alta Holdings Limited Atlas Capital Limited Deltec International Group (Cayman) Galahad Gold plc Greenwich Associates (US) Guardian Capital Group (Canada) Howard de Walden Estates Limited International Institute for Strategic Studies L-R Global Partners (Cayman) Mepsec Limited (in liquidation) Merrill Lynch Asset Allocator plc The Canada Memorial Foundation The Cotswold House Hotel Limited Welbeck Land Limited	Aegon UK plc Atlas Investment Counsellors Limited (dissolved) Keystone Investment Trust plc (formerly known as Merrill Lynch UK Investment Trust plc) Keysec Limited Manor Farm Pictures Limited Merrill Lynch European Investment Trust plc (in liquidation) Safinvest Limited (formerly known as Sagitta Investment Advisers Limited) Sagitta Asset Management Limited
Stephen Zimmerman	Community Trading Limited Jewish Care Jewish Care Community Foundation Jewish Family Services Limited Merrill Lynch Asset Allocator plc Newsmith Capital GP Limited Newsmith Capital (Scotland) GP Limited Newsmith Capital Services Limited Newsmith Financial Solutions Ltd Newsmith Nominees Limited Newsmith Trustee Limited Polack's House Educational Trust Stepney Jewish (B'nai'B'rith) Clubs & Settlement Limited The Friends of the London Jewish Hospital Limited	E-Crossnet Limited Jewish Association for Business Ethics Pixology plc Pixology Software Limited Royal Marsden Cancer Campaign United Synagogue Pension Trustee Limited

5.11 None of the Directors has:

(a) any convictions in relation to fraudulent offences for at least the previous five years;

(b) ever been declared bankrupt or been the subject of an individual voluntary arrangement;

(c) save as set out below, been a director of a company, a member of the administrative, management or supervisory body or a senior manager of a company within the previous five years which has gone into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;

(d) been a partner or a senior manager in a partnership which has gone into compulsory liquidation, administration or a partnership voluntary arrangement where he was a partner within the previous five years;

(e) been subject to the receivership of any personal assets;

(f) been a partner or a senior manager in a partnership which has gone into receivership where he was a partner within the previous five years;

(g) been the subject of any official public incrimination or sanctions by any statutory or regulatory authority (including designated professional bodies) or disqualified by a court from acting as a director of a company or as member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any company.

Mr Mason is a non-executive director of Rage plc, which was put into administrative receivership in January 2003. The shortfall to creditors is estimated at approximately £3 million.

Mr Gifford was a director of the following companies that have been liquidated, dissolved or are in the course of being liquidated. All of these liquidations were solvent liquidations:

3i European Technology Trust plc
Fleming CBO 1
Fleming Poland Fund
Fleming Russian Securities Fund
JF Fledgeling Japan Investment Co Limited
The Fleming Far Eastern Investment Trust Public Limited Company
The Fleming Leveraged Emerging Market Portfolio
The Tor Investment Trust plc
Westvale Securities Limited

Mr Stormonth Darling was a director of the following companies that have been liquidated, dissolved or are in the course of being liquidated. All of these liquidations were solvent liquidations:

Mepsec Limited
Merrill Lynch European Investment Trust plc

5.12 There are no persons who are at the date hereof, or, so far as is known to the Company, will immediately following Admission be, directly or indirectly, interested in 3 per cent. or more of any class of the Company's issued share capital.

5.13 The Company is not aware of any persons who directly or indirectly, jointly or severally at the date of this document exercise or could exercise control over the Company or immediately following Admission will exercise or would be able to exercise control over the Company.

6. Investment restrictions

6.1 The Directors intend to direct the affairs of the Company so that it satisfies the conditions for approval by HM Revenue & Customs as an investment trust set out in section 842 of the Taxes Act. The Company intends that its income will consist wholly or mainly of eligible investment income as defined in section 842 of the Taxes Act.

6.2 The Company will be a passive investor and will not seek to take legal or management control or be actively involved in the management of companies or businesses in which it invests nor will it, to a significant extent, be a dealer in investments. In addition, the Company will maintain an adequate spread of investment risk.

6.3 In accordance with the Listing Rules of the UK Listing Authority and, in the case of (a) and (c), section 842 of the Taxes Act:

(a) distributable income will be principally derived from investments. Neither the Company nor any subsidiary which the Company may acquire will conduct a trading activity which is significant in the context of the group as a whole;

(b) the Company will not take legal or management control of investments in its portfolio. The Company will be a passive investor and will not seek to control, or be actively involved in the management of, any companies or businesses in which it invests;

(c) not more than 15 per cent. of the Company's total assets will be lent to or invested in the securities of any one company or group (including loans to or shares in the Company's own subsidiaries) at the time the loan or investment is made and any existing holding in the company concerned will be aggregated with the proposed new investment for this purpose;

(d) dividends will not be paid unless they are covered by income received from underlying investments and, for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;

(e) the distribution of surpluses, as dividend, arising from the realisation of investments will be prohibited; and

(f) not more than 10 per cent. of the value of the Company's total assets at the time of Admission will be invested in other listed investment companies (including listed investment trusts).

7. Memorandum and Articles of Association

7.1 The Company's principal object is to carry on business as an investment trust company. The objects of the Company are set out in clause 4 of the Memorandum of Association, which is available for inspection at the addresses specified in paragraph 14 below.

7.2 The Articles, which were adopted on 12 October 2006, include provisions, *inter alia*, to the following effect:

Share capital

The Company in general meeting may from time to time by ordinary resolution:

(a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;

(b) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;

(c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and

(d) subject to the provisions of the Act, sub-divide its shares or any of them into shares of a smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

Rights of shares

The respective rights of the UK Equity Shares, the Global Equity Shares, the Hedge Fund Shares, the Managed Liquidity Shares and the A Shares with regard to voting, dividends, return of assets, conversion and class rights are set out in Part 2 of this document. The rights of the Deferred Shares are set out in paragraph 10.14 of Part 2 of this document.

Subject to the provisions of the Act, the Company may redeem the redeemable preference shares at any time at their nominal value of £1 per share. The redeemable preference shares do not entitle the holders thereof to any voting rights. The redeemable preference shares carry the right to receive a fixed dividend at the rate of 0.001 per cent. per annum on the nominal amount paid up on such shares, such dividend to be payable in respect of each accounting reference of the Company within 21 days of the end of such period. On a winding-up, the redeemable preference shares are entitled to receive, out of the surplus assets of the Company available for distribution, the amount paid up thereon *pari passu* with any amount payable to holders of Shares, but carry no right to participate in any surplus remaining following payment of such amounts.

Dividends

The Company may, subject to the provisions of the Act and the Articles (including those summarised in paragraphs 5.1, 6.1, 7.1, 8.1 and 9.1 of Part 2 of this document), by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. Subject to the provisions of the Act, in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares, including any dividend payable at a fixed rate. All dividends payable and unclaimed for 12 months after having become payable may be invested by the Board for the benefit of the Company until claimed. Any dividend unclaimed after a period of 12 years from the date such dividend has been declared or become due for payment shall, if the Board resolves, be forfeited and shall cease to remain owing by the Company.

Transfer of Shares

(a) Each member may transfer all or any of his shares, by instrument of transfer in the case of certificated shares, in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee.

(b) The Board may, in its absolute discretion and without giving any reason, refuse to register any share transfer unless such transfer satisfies the following conditions:

   (i) it is in respect of a share which is fully paid up;

   (ii) it is in favour of a single transferee or not more than four joint transferees;

   (iii) it is duly stamped (if so required);

   (iv) it is in respect of only one class of share; and

   (v) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so.

(c) The Board may not refuse to register any transfer of partly paid shares which are listed on the grounds that such shares are partly paid in circumstances where such refusal would prevent dealings in such shares taking place on an open and proper basis.

(d) The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the CREST Regulations.

(e) If a member has been issued with a notice under section 212 of the Act and is in default in relation to any shares (the "default shares") for the prescribed period in supplying the information thereby required, unless the Board otherwise determines, where the default shares represent at least 0.25 per cent. of their class, no transfer of any shares held by the member shall be registered (unless within defined exceptions under the Articles).

Convening of general meetings

Notices of annual general meetings and extraordinary general meetings of the Company may be given to Shareholders either personally or by sending them by post or other delivery service in a pre-paid envelope addressed to the Shareholder at this registered address or by leaving the notice at their address or, where applicable, by sending it using electronic communications to an address notified to the Company by the Shareholder for that purpose (see "Electronic communications" below). The Articles do not include any conditions of admission in relation to general meetings of the Company.

Electronic communications

The Articles contain provisions enabling the Company to deal directly with Shareholders by electronic means and, in particular, to distribute company information (including the annual report and accounts) electronically rather than by post, send notices of meetings electronically to an address provided by a Shareholder and allow Shareholders to appoint proxies and give the Company voting instructions electronically.

Voting

Holders of Shares have the right to receive notice of, and to vote at, general meetings of the Company. The voting rights of the UK Equity Shares, the Global Equity Shares, the Hedge Fund Shares, the Managed Liquidity Shares and the A Shares are described in paragraphs 5.1, 6.1, 7.1, 8.1 and 9.1 respectively of Part 2 of this document. The Deferred Shares do not entitle the holders the right to attend or vote at any general meeting of the Company. There is no provision in the Articles for the Company's major shareholders to have different voting rights.

Variation of rights and alteration of capital

(a) Any of the rights for the time being attached to any share or class of shares (and notwithstanding that the Company may or may be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles.

(b) Subject to the terms on which any shares may be issued (including as summarised in paragraphs 5.2, 6.2, 7.2, 8.2 and 9.2 of Part 2 of this document), the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and the Articles.

(c) The Company may, subject to applicable law and any rights attached to any shares, by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner.

Directors

(a) Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be more than 10 nor less than 2.

(b) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine, provided that the aggregate amount paid to Directors by way of fees shall not exceed £200,000 in any financial year, or such other sum as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings.

(c) If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.

(d) At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire from office, save that each Director shall retire from office at or before the date of the third annual general meeting following his last appointment. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office.

(e) No person shall be or become incapable of being appointed a director by reason of having attained the age of 70 or any other age, nor shall any special notice be required in connection with the appointment of any such person. No Director shall vacate his office by reason of the fact that he has attained the age of 70 or any other age. Where any general meeting of the Company is convened at which a Director will be proposed for appointment or re-appointment who will at the date of the meeting be 70 or more, the Board shall give notice of his age in the notice convening the meeting.

(f) Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he is, to his knowledge, alone or together with any person connected with him materially interested unless the resolution concerns any of the following matters:

  (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

  (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

  (iii) any proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

  (iv) any contract, arrangement, transaction or proposal concerning any other body corporate in which he and any person connected with him does not to his knowledge hold an interest representing one per cent. or more of any class of the equity share capital or of the voting rights in such body corporate;

  (v) any contract, arrangement, transaction or proposal relating to an arrangement for the benefit of the employees of the Company or its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to which such arrangement relates; and

  (vi) any contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.

(g) The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and provide death or disability benefits for any person who is or has been a director or employee of the Company.

Borrowing powers

(a) Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(b) The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to procure that (as regards its subsidiary undertakings, so far as it is able), without the previous sanction of an ordinary resolution of the Company, no new borrowings are incurred if, as a result, the aggregate principal amount of all net borrowings by the Group (excluding certain borrowings owing by one member of the Group to another member of the Group) exceeds an amount equal to 25 per cent. of the value of the Company's gross assets. For these purposes, "net borrowings" at any time means the amount of borrowings at that time less cash and money market instruments (including floating rate notes in maturity and gilts and bonds with a maturity of up to five years) held by the Company at that time and the "Group" means the Company and its subsidiary undertakings.

Reserves

The Board may, before recommending any dividend, but having regard to section 842 of the Taxes Act, carry to reserve out of the profits of the Company such sums as it thinks fit. All sums standing to reserve may be applied from time to time, at the discretion of the Board, for any purpose to which the profits of the Company may properly be applied and, pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit.

Capitalisation of reserves

The Board may, with the authority of an ordinary resolution of the Company but subject to any special rights attaching to any shares:

(a) subject as provided in the Articles, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the Company's share premium or capital redemption reserve or other undistributable reserve;

(b) appropriate the sum resolved to be capitalised to the holders of shares in proportion to the nominal amount of the shares (whether or not fully paid) held by them and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, in those proportions, provided that, first, the share premium account, the capital redemption reserve, any other distributable reserve and any profits which are not available for distribution may only be applied in paying up unissued shares to be allotted to members credited as fully paid and, secondly, in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called-up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that aggregate by the payment of such sums; and

(c) resolve that any shares allotted to holders of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends,

provided that the Board may, without the authority of an ordinary resolution of the Company, capitalise any amount standing to the credit of any of the Company's reserves in connection with the conversion of Shares as described in paragraph 10.9(b) of Part 2 of this document.

Distribution of realised capital profits

The Board shall establish a reserve to be called the Capital Reserve. All surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital reserves shall be credited to the Capital Reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with in the income account or Capital Reserve or partly one way and partly the other. Any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital reserve item or which the Board otherwise considers appropriate to be debited to the Capital Reserve shall be carried to the debit of the Capital Reserve. All sums carried and standing to the credit of the Capital Reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of the Articles no part of the Capital Reserve or any other money in the nature of accretion to capital reserves shall be available for distribution as dividend. During any period when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company, distribution of the Company's capital profits (within the meaning of section 266(2)(c) of the Act) otherwise than by the redemption or purchase of the Company's own shares in accordance with section 160 or 162 of the Act is prohibited except to the extent that the requirements for investment company status under section 266 of the Act do not require a company so to prohibit the distribution of its capital profits in its memorandum or articles of association.

Ownership threshold and change of control

The Articles do not prescribe any ownership threshold above which shareholder ownership must be disclosed. There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change in control of the Company.

Winding-up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company.

8. Material contracts

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

(a) Investment Management Agreement dated 13 October 2006 between the Company and Invesco Perpetual, under which Invesco Perpetual will, with effect from Admission, manage, on a discretionary basis, the Company's assets contained in the UK Equity Share Portfolio, the Global Equity Share Portfolio and the Managed Liquidity Share Portfolio. Invesco Perpetual will also implement the Board's decisions relating to investment of the assets of the Hedge Fund Share Portfolio and (if applicable) the A Share Portfolio, but will have no investment management role in respect of the Fauchier Managed Funds to which the assets of the Hedge Fund Share Portfolio will be linked. Under the Investment Management Agreement, Invesco Perpetual will be entitled to a basic fee (payable quarterly) in respect of each Portfolio (0.75 per cent. per annum of net assets in the case of the UK Equity Share and Global Equity Share Portfolios and 0.25 per cent. per annum of net assets in the case of the Hedge Fund Share, Managed Liquidity Share and A Share Portfolios). Invesco Perpetual will also be entitled to receive performance fees of (a) 12.5 per cent. of the net asset total return per UK Equity Share in excess of a hurdle of the UK Equity Share Portfolio benchmark (the total return on the FTSE All-Share Index) plus 1 per cent. per annum and (b) 12.5 per cent. of the net asset total return per Global Equity Share in excess of a hurdle of the Global Equity Share Portfolio benchmark (the total return on the MSCI World Index in Sterling terms) plus 1 per cent. per annum. The amount of the performance fee payable in any one performance period will be subject to a high watermark and limited to 0.75 per cent. of the net assets comprising the relevant Portfolio. Any underperformance of the benchmark, or excess performance above the cap on performance fee payable, will be carried forward to subsequent periods. Where a performance period is more or less than 12 months, the 0.75 per cent. cap will be adjusted *pro rata*. The Agreement will be terminable by either party giving 12 months' notice to expire on or at any time after the second anniversary of Admission. The Agreement can also be terminated by the Company, without liability for compensation, in certain specified circumstances, including the occurrence of an insolvency event in relation to the Manager or serious misconduct of the Manager. The Manager may terminate the Agreement on shorter or immediate notice in certain circumstances including if the Company terminates the letter of understanding summarised in paragraph (b) below and the Company and the Manager, each acting reasonably, cannot identify a suitable replacement within 45 days of such termination or if Fauchier (as defined in paragraph (b) below) fails to comply with its obligations to the Manager pursuant to such letter of understanding and such failure is not remedied to the reasonable satisfaction of the Manager within 15 days of written notice of the same. Invesco Perpetual has the benefit of an indemnity from the Company in relation to certain liabilities incurred by Invesco Perpetual in the discharge of its duties under the Agreement other than for liabilities arising by reason of the Manager's fraud, wilful default, negligence, breach of agreement or any breach of any duties or obligations which the Manager may have under the regulatory system.

(b) Letter of understanding dated 13 October 2006 entered into between the Company, Fauchier Partners Management and Fauchier Partners (together "Fauchier") and acknowledged by Invesco Perpetual, pursuant to which Fauchier has agreed, *inter alia*, that it will (i) manage at least two diversified funds of hedge funds in which the debt securities constituting the Hedge Fund Share Portfolio can be invested, the investment objectives of which funds will in all material respects be consistent with the investment objective of the Hedge Fund Share Portfolio, (ii) not terminate its appointment as manager or investment adviser to any Fauchier Managed Fund without first having given the Company 3 months' notice of its intention to do so, (iii) assist the Company in its negotiations with potential issuers of debt securities and (iv) procure certain valuation and other information regarding the Fauchier Managed Funds and the underlying hedge fund investments of such funds for the purpose both of weekly net asset valuations of the Hedge Fund Shares and A Shares and conversions involving such Shares. In the letter of understanding Fauchier acknowledges that no member of the Fauchier Partners Group will be entitled to any fee or other remuneration from the Company for the services to be provided by the Fauchier Partners Group. The arrangements with the Fauchier Partners Group will automatically end if the Hedge Fund Share Portfolio no longer includes any debt securities the return on which is linked to Fauchier Managed Funds or other assets managed by Fauchier Partners Management.

(c) Custody Agreement dated 13 October 2006 between the Company and the Custodian, whereby the Company has appointed the Custodian to act as custodian of the Company's investments, cash and other assets, to deal with settlement arrangements, to provide certain other associated services and to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians. The Custodian will be paid a fee monthly in arrears comprising safekeeping charges equal to between 0.0035 per cent. and 0.5 per cent. of the value of the assets of the Company and transaction charges of between £5 and £110 per transaction plus certain other transaction or voting-related charges. The Custodian is also entitled to reimbursement of its out-of-pocket expenses, including but not limited to stamp duty, scrip fees, re-registration charges and courier service/postage. The Custodian may increase such fees by giving 60 days' notice in writing. The Custody Agreement contains indemnities by the Company in favour of the Custodian against any liabilities, losses, claims, costs, damages, penalties, fines, obligations or expenses of any kind whatsoever incurred by or asserted against the Custodian, its sub-custodians and their respective nominees, directors, officers, employees and agents (together, the **"Custodian Indemnitees"**), in connection with or arising out of (i) the Custodian's performance under the Agreement, except where such liabilities result from the negligence, fraud or wilful default of the Custodian Indemnitees, or (ii) any of the Custodian Indemnitees' status as a holder of record of the Company's securities. The Custody Agreement can be terminated by either party at any time on 60 days' written notice.

(d) Undertaking dated 13 October 2006 by the Company to enter into the Transfer Agreement. Similar undertakings have been given by MLAA and its proposed liquidators. Provided the Scheme is approved by MLAA's Shareholders, the Company will enter into the Transfer Agreement with the liquidators to MLAA on or around 16 November 2006. Pursuant to the Transfer Agreement, certain assets of MLAA will be transferred to the Company. In consideration of the transfer of such assets, the Company will allot Shares in the proportions specified in the lists provided by MLAA's registrar containing the names and addresses of those MLAA Shareholders and Noteholders who convert their FRNs entitled to Shares pursuant to the Transfer Agreement. The value of the assets of MLAA transferred to the Company will be equal to the number of Shares allotted multiplied by 100p. The Transfer Agreement will provide that the assets to be transferred to the Company shall be transferred with such rights and title as MLAA may have in respect of the same or any part thereof, subject to and with the benefit of all or any rights, restrictions, obligations, conditions and agreements affecting the same or any part thereof, including the right to all income, dividends (including the rights to receive any unclaimed dividends), distributions, interests and other rights and benefits attaching thereto or accruing therefrom except for any such income, dividend, distribution, interest or other right or benefit on any investments marked "ex" the relevant income, dividend, distribution or other right or benefit at or prior to the date at which the Scheme becomes effective (the "Effective Date"). The Transfer Agreement will also provide that the liquidators of MLAA, insofar as they are reasonably able to do so by law or otherwise, shall comply with all reasonable requests made by the Company (or its nominees) in respect of the assets transferred to the Company and shall, in particular, account to the Company for all income, dividends, distributions, interests and other rights and benefits in respect of such assets received after the Effective Date, except for any such income, dividend, distribution, interest or other right or benefit on any investment marked "ex" the relevant income, dividend, distribution, interest or other right or benefit at or prior to the Effective Date.

8.2 Save as disclosed in paragraph 8.1, there are no contracts (not being contracts entered into in the ordinary course of business) entered into by the Company which contain any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

9. Working capital

In the opinion of the Company, the Company's working capital is, at the minimum overall size of the Company as at Admission of £50 million, sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

10. Capitalisation and indebtedness

As at the date hereof the Company does not have, and as at Admission the Company will not have, any secured or unsecured indebtedness, including indirect and contingent indebtedness. As at the date hereof the Company's issued and fully paid share capital is £2 and it has allotted 50,000 redeemable preference shares of £1 each as described in paragraph 4.2 of this Part 4.

11. Conflicts of interest

11.1 Invesco Perpetual (or its associates) may provide investment management, investment advisory and other services to other clients (including investment companies), including clients which may invest in the securities in which the Company may invest and, in providing such services, may use information obtained by them which is used in advising on the Company's investments. Neither Invesco Perpetual nor any of its associates will be liable to account to the Company for any profit, commission or remuneration earned as a result of such conflict. However, in the event of a conflict of interest arising, Invesco Perpetual will take reasonable steps to ensure fair treatment for the Company in accordance with the FSA's Conduct of Business Sourcebook.

11.2 Fauchier Partners (or its associates) may provide investment management, investment advisory and other services to other clients (including investment companies), including clients which may invest in the securities in which the Company may invest and, in providing such services, may use information obtained by them which is used in advising on the Company's investments. Neither Fauchier Partners nor any of its associates will be liable to account to the Company for any profit, commission or remuneration earned as a result of such conflict. However, in the event of a conflict of interest arising, Fauchier Partners will take reasonable steps to ensure fair treatment for the Company in accordance with the FSA's Conduct of Business Sourcebook.

12. Overseas investors

12.1 No action has been taken, to permit the distribution of this document in any jurisdiction outside the UK. This document may therefore not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Shares nor should he in any event acquire, subscribe for or purchase Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

12.2 The Shares have not been, and will not be, registered under the Securities Act or under the applicable state securities laws of the United States and no steps have been or will be taken to qualify the Shares for distribution in Japan or any province or territory of Canada and no prospectus in relation to the Shares has been, or will be, lodged with or registered by the Australian Securities Commission. Accordingly, unless an exemption under the relevant securities laws is available, the Shares are not available in the United States, Canada, Australia or Japan or to a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, Japan, Australia, Canada or the United States or a US Person (a "restricted overseas person") and the Shares may not be directly or indirectly offered, sold or delivered in or into the United States, Canada, Australia or Japan or to or for the account or benefit of any restricted overseas person. The Company is not and will not be registered under the United States Investment Company Act of 1940, as amended.

13. Miscellaneous

13.1 Apart from London Stock Exchange listing fees, the amount of which will depend on the size of the Issue (but is estimated to be approximately £55,000), there are no expenses of the Issue or the application for Admission which are payable by the Company. The net proceeds of the Issue will depend on the extent to which MLAA Shareholders and Noteholders who convert their FRNs elect to receive Shares under the Scheme. Elections, once made, cannot be withdrawn, but the result of elections under the Scheme will not be known until after the closing date for elections, which is 3 November 2006. The results of elections under the Scheme are expected to be announced no later than 7 November 2006 and a further announcement will be made following the second Extraordinary General Meeting of MLAA to be held on 16 November 2006 as to whether or not the Scheme has become effective and of the basis of allotment of Shares. There will be no dealings in Shares before Admission. For illustrative purposes only, on the assumption that valid elections to receive Shares are made (or deemed to have been made) under the Scheme in respect of all the MLAA Shares and FRNs currently in issue and outstanding and based on the net assets of MLAA as at 9 October 2006 (the latest practicable date before the publication of this document) of £130.6 million, the assets of MLAA to be transferred to the Company in connection with the Scheme (which will represent the consideration for the Shares issued in connection with the Scheme (and therefore the amount available for investment by the Company) would be £130.6 million. The net proceeds of the Issue will be invested in accordance with the Company's investment policies described in Part 1 of this document.

13.2 The ISIN (International Security Identification Number) of each class of Shares is as follows: UK Equity Shares GB00B1DPVL60; Global Equity Shares GB00B1DQ6472; Hedge Fund Shares GB00B1DQ6696; Managed Liquidity Shares GB00B1DQ6704; and A Shares GB00B1DA6928.

13.3 The Company does not have, nor has it had since incorporation, any employees and does not own or lease any land or buildings.

13.4 The Company is not, and has not since its incorporation been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had since its incorporation, a significant effect on the Company or its financial position or profitability.

13.5 No application is being made for the Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the London Stock Exchange.

13.6 The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 3.1 above and that since the incorporation and registration of the Company the Company has not traded nor prepared any financial statements or accounts.

13.7 There has been no significant change in the financial or trading position of the Company since 25 August 2006, the date of the Company's incorporation.

13.8 The Company has no subsidiaries.

13.9 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Company since the date hereof.

13.10 The Company's manager, INVESCO Asset Management Limited (Invesco Perpetual), was incorporated and registered in England on 7 March 1969 as a private limited company under the Act with registered number 949417. The principal place of business of Invesco Perpetual is 30 Finsbury Square, London EC2A 1AG (telephone number 020 7065 4000). Invesco Perpetual is authorised and regulated by the FSA. Invesco Perpetual will calculate the net asset value for each UK Equity Share, Global Equity Share and Managed Liquidity Share each business day and the net asset value for each Hedge Fund Share and A Share weekly.

13.11 Fauchier Partners LLP (the investment adviser to the Fauchier Managed Funds) was registered in England on 13 June 2003 as a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC304870. The principal place of business of Fauchier Partners is 72 Welbeck Street, London W1G 0AY (telephone number 020 7009 9100). Fauchier Partners is authorised and regulated by the FSA.

13.12 The Company's custodian is JPMorgan Chase Bank NA. The Custodian was incorporated in the United States of America (State of New York) in 1799 and registered in England and Wales on 11 April 1960 as an overseas private limited company with registered number FC004891 and on 1 January 1993 as a branch with branch number BR000746. The principal place of business of the Custodian is 125 London Wall, London EC2Y 5AJ (telephone number 020 7325 1000). The Custodian's business in the UK is authorised and regulated by the FSA.

13.13 Ernst & Young LLP have been the only auditors of the Company since its incorporation. Ernst & Young LLP are registered auditors and members of the Institute of Chartered Accountants in England and Wales.

13.14 Ernst & Young has given and not withdrawn its written consent to the issue of this document and references to its name in the form and context in which such references appear. Ernst & Young is authorised and regulated in the United Kingdom by the FSA.

13.15 The address of the Company's registered office is 30 Finsbury Square, London EC2A 1AG (telephone number 020 7065 4000).

14. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company at 30 Finsbury Square, London EC2 and at the offices of Norton Rose, Kempson House, Camomile Street, London EC3 during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until 16 November 2006:

(a) the Memorandum and Articles of Association of the Company;

(b) the material contracts referred to in paragraph 8 above;

(c) the letters of appointment of the Directors referred to in paragraph 5.3 above;

(d) the written consent referred to paragraph 13.14 above;

(e) the circular dated 13 October 2006 issued by MLAA to MLAA Shareholders and Noteholders; and

(f) this document.

15. Availability of Prospectus

Copies of this document are available for inspection only during normal business hours on any weekday (Saturdays and public holidays excepted) at the Document Viewing Facility at the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 and may be obtained, free of charge, from:

Invesco Perpetual Select Trust PLC
30 Finsbury Square
London EC2A 1AG

Ernst & Young LLP
1 More London Place
London SE1 2AF

Dated 13 October 2006

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Act"	the Companies Act 1985 (as amended from time to time)
"Admission"	the admission of the Shares, in issue or to be issued in connection with the Scheme, to the Official List and to trading on the London Stock Exchange's market for listed securities
"AIC"	the Association of Investment Companies (formerly the Association of Investment Trust Companies)
"Articles"	the articles of association of the Company in force from time to time
"A Shares"	A Shares of 1p each in the capital of the Company
"A Share Portfolio"	the portfolio of assets of the Company attributable to the A Shares (together with all attributable liabilities)
"Auditors"	the auditors of the Company from time to time, being as at the date of this document Ernst & Young LLP
"Balanced Shares"	Balanced Shares of 0.1p each in the capital of MLAA
"Board" or **"Directors"**	the directors of the Company
"business day"	a day (other than a Saturday or Sunday) on which banks are open for the transaction of normal business in the City of London
"certificated" or **"in certificated form"**	a Share which is not in uncertificated form
"Company"	Invesco Perpetual Select Trust plc (No. 5916642)
"Court"	the High Court of Justice in England & Wales
"CREST"	the paperless settlement procedure in the UK enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument or stock transfer form and in respect of which CRESTCo is the Operator (as defined in the CREST Regulations)
"CRESTCo"	CRESTCo Limited
"CREST Manual"	the CREST Reference Manual issued by CRESTCo dated 7 December 2004
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended)
"Custodian"	JPMorgan Chase Bank NA (London Branch)
"Custody Agreement"	the custody agreement dated 13 October 2006 between the Company and the Custodian, the principal terms of which are summarised in paragraph 8.1(c) of Part 4 of this document
"Deferred Shares"	Deferred Shares of 1p each in the capital of the Company

“Ernst & Young”	Ernst & Young LLP (in its capacity as financial adviser to the Company)
“Fauchier Allocator Funds”	Fauchier Allocator I Fund and Fauchier Allocator II Fund (exempt investment companies listed on the Irish Stock Exchange)
“Fauchier Managed Fund”	a diversified fund of hedge funds which is managed by Fauchier Partners Management and to which Fauchier Partners is the investment adviser
“Fauchier Partners”	Fauchier Partners LLP
“Fauchier Partners Group”	Fauchier Partners Management, its subsidiaries and controlled entities
“Fauchier Partners Management”	Fauchier Partners Management Limited
“FRNs”	Floating Rate Convertible Unsecured Loan Notes 2008 of MLAA
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“Global Equity Shares”	Global Equity Shares of 1p each in the capital of the Company
“Global Equity Share Portfolio”	the portfolio of assets of the Company attributable to the Global Equity Shares (together with attributable liabilities)
“Growth Shares”	Growth Shares of 0.1p each in the capital of MLAA
“Hedge Fund Shares”	Hedge Fund Shares of 1p each in the capital of the Company
“Hedge Fund Share Portfolio”	the portfolio of assets of the Company attributable to the Hedge Fund Shares (together with attributable liabilities)
“Invesco Perpetual” or **“Manager”**	INVESCO Asset Management Limited
“Investment Management Agreement”	the investment management agreement dated 13 October 2006 between the Company and Invesco Perpetual, the principal terms of which are summarised in paragraph 8.1(a) of Part 4 of this document
“ISA”	Individual Savings Account
“Issue”	the issue of Shares in connection with the Scheme
“Issue Price”	100p per Share
“Listing Rules”	the listing rules of the UK Listing Authority made pursuant to section 73A of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Managed Liquidity Shares”	Managed Liquidity Shares of 1p each in the capital of the Company

"Managed Liquidity Share Portfolio"	the portfolio of assets of the Company attributable to the Managed Liquidity Shares (together with attributable liabilities)
"MLAA"	Merrill Lynch Asset Allocator plc (No. 3573877)
"MLAA Shareholders"	holders of MLAA Shares
"MLAA Shares"	Growth Shares and/or Balanced Shares (as the case may be)
"NAV"	the total value of all the Company's assets less all its liabilities, as determined by the Board and calculated in accordance with AIC guidelines and the Company's accounting policies
"NAV per Share"	that part of the NAV attributable to any class of Shares divided by the number of Shares of that class in issue at the time of the relevant valuation
"Noteholders"	holders of FRNs
"Official List"	the Official List of the UK Listing Authority
"PEP"	Personal Equity Plan
"Portfolio"	the UK Equity Share Portfolio, the Global Equity Share Portfolio, the Hedge Fund Share Portfolio, the Managed Liquidity Share Portfolio and/or the A Share Portfolio (as the case may be)
"Portfolio NAV"	the total value of the assets of the Company attributable to a Portfolio less the liabilities attributable to such Portfolio, as determined by the Board and calculated in accordance with AIC guidelines and the Company's accounting policies
"Prospectus Rules"	the prospectus rules made by the FSA under section 73A of FSMA
"Registrars"	the Company's registrars, Capita Registrars
"RIS"	a regulatory information service that is on the list of regulatory information services maintained by the FSA
"Scheme"	the proposed scheme of reconstruction of MLAA under section 110 of the Insolvency Act 1986 and MLAA's articles of association (as proposed to be altered), details of which are given on pages 26 and 27 of this document
"Securities Act"	the United States Securities of Act 1933, as amended
"Shareholders"	holders of Shares
"Shares"	UK Equity Shares, Global Equity Shares, Hedge Fund Shares, Managed Liquidity Shares and/or A Shares (as the case may be)
"Sterling"	the lawful currency of the UK
"Taxes Act"	the Income and Corporation Taxes Act 1988 (as amended)

"Transfer Agreement"	the agreement to be entered into between the Company, MLAA and the liquidators to MLAA, the principal terms of which are summarised in paragraph 8.1(d) of Part 4 of this document
"uncertificated" or **"in uncertificated form"**	recorded in the Company's register of members as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Equity Shares"	UK Equity Shares of 1p each in the capital of the Company
"UK Equity Share Portfolio"	the portfolio of assets of the Company attributable to the UK Equity Shares (together with attributable liabilities)
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"United States" or **"US"**	the United States of America
"US Person"	any "US Person" as such term is defined in Regulation S under the Securities Act or in regulations adopted under the US Commodity Exchange Act of 1922, as amended
"VAT"	value added tax

SUMMARY OF HEDGE FUND STRATEGIES

Macro

These funds take directional positions based on their views of macroeconomic and market trends. They primarily use futures, forwards and options to implement trades in currency, bond or equity markets. Macro funds have historically delivered strong performance, but with considerable volatility. They can be very attractive in a portfolio context as they tend to thrive in strongly trending markets, which are often challenging for more bottom-up strategies.

Equity Long Bias

These funds seek to extract returns from both long and short positions in individual equities. However, they will have a structurally higher allocation to long positions than to shorts and will primarily incorporate short positions as a means of dampening volatility, rather than as a source of alpha. Fauchier Partners would expect Equity Long Bias managers to show an average beta to the MSCI World Equity index in excess of 0.5 over a market cycle.

Equity Hedged High Volatility

These funds seek to extract returns from both long and short positions in individual equities. Fauchier Partners would not expect these funds to show an average beta to the MSCI World Equity index of more than 0.5 over a market cycle, and they should deliver the majority of their returns through stock-specific or sector-level risk. Over a market cycle, these funds can be expected to exhibit at least two-thirds of the volatility of the MSCI World Equity index.

Equity Hedged Low Volatility

These funds seek to extract returns from both long and short positions in individual equities. Fauchier Partners do not expect these funds to show an average beta to the MSCI World Equity index of more than 0.5 over a market cycle, and they should deliver the majority of their returns through stock-specific or sector-level risk. Over a market cycle, these funds can be expected to exhibit less than two-thirds of the volatility of the MSCI World Equity index.

Equity Short Bias

A few managers run hedge funds with a consistent short bias, primarily in equities but also in corporate bonds. They vary the degree of gross and net exposure according to their perception of individual opportunities. Unsurprisingly, these funds deliver performance which tends to be negatively correlated to markets, Equity Long Bias funds and to a number of other fundamentally-driven hedge fund strategies. They often perform well at times of high equity and bond market volatility and are attractive in a portfolio context as a form of “value added insurance”.

Specialist Credit

These funds generate their returns through long and short positions in corporate debt. Hedging instruments can include credit default swaps, equities and equity options. Managers often specialise in certain areas of the credit spectrum, ranging from Distressed and High Yield bonds to Investment Grade issues.

Equity Non-Directional

These funds invest long and short in equity markets, with negligible net exposure and, therefore, correlation. Some managers take a fundamental approach which involves taking long and short positions, often matched by sector and hence known as “pairs trading”. Others use systematic “factor models” to replicate the mindset of a fundamental stock-picker; these quantitative funds seek to capitalise on value and momentum trends by screening a universe of stocks for characteristics which the model identifies as potentially rewarding.

Event Driven

The event driven strategy takes advantage of either announced corporate actions or other pre-defined events that provide an estimated rate of return over a defined time period. Examples of such events include mergers, spin-offs, corporate restructuring and index rebalances. Often there is a "spread" between two or more involved securities, or between one security and a specified cash level. The principal risk is that the event does not come to fruition or that the timeline is underestimated. Generally, only moderate leverage is employed in this strategy.

Volatility Trading

Managers in this strategy seek to generate returns by exploiting inefficiencies in the pricing of implied and realised volatility in a variety of asset classes. Managers can be sub-classified into those who capture cheap optionality embedded within convertible bonds ("Convertible Bond Arbitrage") and those who take stand-alone and relative positions in options of both individual securities and in indices ("Options Arbitrage").

Fixed Income Arbitrage

Funds within this strategy trade interest rate risk on a relative value and/or directional basis. Typically they express their views through G10 government bond markets, interest swaps and other OTC and exchange traded derivative contracts. As government bonds are low volatility instruments, considerable nominal leverage is often applied.

Multi Strategy

This group of hedge funds engages in a combination of the above strategies, adding value by dynamically allocating to in-house specialist teams in the areas which they think are likely to be most rewarding. These funds have further attractions in that they only charge a performance fee on the net returns achieved across the various strategies in aggregate.

Equity Long/Short

This term covers Equity Long Bias, Equity Hedged High Volatility, Equity Hedged Low Volatility and Equity Short Bias funds.

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