Prospectus

JPMorgan Fund II ICVC

Effective from 1 December 2011

J.P.Morgan
Asset Management

An open-ended investment company registered in England and Wales under number IC 127.

This document is prepared in accordance with the FSA Handbook of Rules and Guidance
(including the COLL Sourcebook)

Contents

Important Notes

If you are in any doubt about the contents of this prospectus, you should consult your financial adviser or contact JPMorgan Asset management on 0800 20 40 20.

JPMorgan Funds Limited, the authorised corporate director of the Company, is the person responsible for the information contained in this Prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the COLL Sourcebook to be included in it. JPMorgan Funds Limited accepts responsibility accordingly.

Except for the information about itself as Depositary contained in sections 2.2, 2.6 and 5.4(a)(vi) of this Prospectus, the Depositary is not a person responsible for the information contained in this Prospectus and accordingly does not accept any responsibility therefore under the COLL Sourcebook or otherwise.

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

No person has been authorised by the Company to give any information or to make any representations in connection with the offering of Shares other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Company. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Company have not changed since the date hereof.

The Company is only registered for sale to the public in the United Kingdom and Jersey.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this Prospectus comes are required by the Company to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The consent of the Jersey Financial Services Commission pursuant to Article 8 of the Control of Borrowing (Jersey) Order 1958 (as amended) has been obtained for the circulation of this Prospectus in Jersey. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947 (as amended) against liability arising from the discharge of its functions under that Law.

Distribution of this Prospectus in certain jurisdictions will require that this Prospectus be translated in the official languages of those jurisdictions. Where such translation is required, the translated version of this Prospectus shall only contain the same information and shall only have the same meaning as in this Prospectus.

Shares in the Company are not listed on any investment exchange.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This Prospectus has been approved for the purpose of section 21 of the Financial Services and Markets Act 2000 by JPMorgan Asset Management Marketing Limited. JPMorgan Asset Management Marketing Limited is authorised and regulated by the Financial Services Authority. JPMorgan Asset Management Marketing Limited only advises on the products and services offered by the JPMorgan Asset Management Marketing Limited.

This Prospectus is based on information, law and practice at the date hereof. The Company cannot be bound by an out of date prospectus when it has issued a new prospectus, and investors should check with the ACD that this is the most recently published Prospectus.

Glossary of Terms

ACD	JPMorgan Funds Limited, the authorised corporate director of the Company.
Act	the Financial Services and Markets Act 2000 or any amendment, substitution or re-enactment.
Approved Bank	(in relation to a bank account opened by the ACD): (a) if the account is opened at a branch in the United Kingdom: (i) the Bank of England; or (ii) the central bank of a member state of the OECD; or (iii) a bank; or (iv) a building society; or (v) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or (b) if the account is opened elsewhere: (i) a bank in (a); or (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant Home State Regulator; or (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or (iv) a bank supervised by the South African Reserve Bank.
Approved Money Market Instrument	A money market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
Approved Security	as defined in Appendix C.
Certificates Representing Certain Securities	The investment specified in article 80 of the Regulated Activities Order (Certificates representing certain securities), which is in summary: a certificate or other instrument which confers contractual or property rights (other than rights consisting of options): (a) in respect of any share, debenture, government and public security or warrant) held by a person other than the person on whom the rights are conferred by the certificate or instrument; and (b) the transfer of which may be effected without requiring the consent of that person; but excluding any certificate or other instrument which confers rights in respect of two or more investments issued by different persons or in respect of two or more different government and public securities issued by the same person.
Class or Classes	in relation to Shares, means (according to the context) all of the Shares related to a single Fund or a particular class of Share related to a single Fund.
COLL	Refers to the relevant chapter or rule in the COLL Sourcebook.
COLL Sourcebook	The Collective Investment Schemes Sourcebook forming part of the FSA Handbook as amended from time to time.
Company	JPMorgan Fund II ICVC.
Covered Bond	A bond that is issued by a credit institution which has its registered office in an EEA State and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.
Dealing Day	Monday to Friday (except for, unless the ACD otherwise decides, the last working day before Christmas Day or New Year's Day and a bank holiday in England and Wales) and other days at the ACD's discretion.
Depositary	National Westminster Bank Plc, the depositary of the Company.
Derivatives	An option, or a future, or a contract for differences.

EEA States	The ACD currently deems these to include: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, the Republic of Ireland, Romania, the Slovak Republic, Slovenia, Spain, Sweden and the UK.
Eligible Derivatives Markets	Derivatives markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the Scheme Property in accordance with the relevant criteria set out in the COLL Sourcebook and with regard to the Guidance on Eligible Markets issued by the FSA as amended from time to time and as more fully described in section 3.8 and Appendix E.
Eligible Institution	One of certain eligible institutions (being a Banking Consolidation Directive BCD credit institution authorised by its home state regulator or a MiFID investment firm authorised by its home state regulator as defined in the glossary to the FSA Handbook).
FSA	The Financial Services Authority, of 25 The North Colonnade, Canary Wharf, London E14 5HS or any successor or replacement regulator.
FSA Handbook	The FSA Handbook of Rules and Guidance as amended from time to time.
Fund	A sub-fund of the Company (being part of the Scheme Property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which is invested in accordance with the investment objective applicable to such sub-fund.
GAPS	Government and public securities as defined in the glossary to the FSA Handbook.
ICVC	Investment company with variable capital.
Instrument of Incorporation	The instrument of incorporation of the Company, as amended from time to time, registered by the Company in accordance with the OEIC Regulations and the COLL Sourcebook.
Investment Adviser	JPMorgan Asset Management (UK) Limited, the investment adviser to the Company and the ACD.
ISA	An individual savings account under The Individual Savings Account Regulations 1998 (as amended).
MSP	Monthly Savings Plan
Net Asset Value or NAV	The value of the Scheme Property of the Company (or of any Fund, as the context requires) less the liabilities of the Company (or of the Fund concerned) as calculated in accordance with the Instrument of Incorporation.
OEIC Regulations	The Open-Ended Investment Companies Regulations 2001 as amended or re-enacted from time to time.
OTC Derivative	A derivative traded solely over the counter as more fully described in section 3.20.
Register	The register of Shareholders of the Company.
Registrar	JPMorgan Asset Management Marketing Limited, the registrar of the Company.
Regulations	The OEIC Regulations and the FSA Handbook (including the COLL Sourcebook).
Scheme Property	The property of the Company or of a Fund where appropriate to be given for safe-keeping to the Depositary in accordance with the COLL Sourcebook.
Share or Shares	A share or shares in the Company (including larger denomination shares and smaller denomination shares).
Shareholder(s)	Holder(s) of registered Shares or bearer Shares in the Company.
Shares of a Fund	Shares relating to a particular Fund.
Switch	The exchange of Shares of one Class or Fund for Shares of another Class or Fund.
Valuation Point	The point, whether on a periodic basis or for a particular valuation, at which the ACD carries out a valuation of the Scheme Property for the Company or a Fund (as the case may be) for the purpose of determining the price at which Shares of a Class may be issued, cancelled, sold or redeemed.

Part 1: The Company

1.1 General

The JPMorgan Fund II ICVC described in this Prospectus is an open-ended investment company with variable capital, incorporated in England and Wales under the OEIC Regulations, and is an umbrella company as defined in the OEIC Regulations. It is governed by the Regulations and its Instrument of Incorporation. The registered number of the Company is IC 127.

The Company is a collective investment scheme as defined in the Act. It is authorised by the FSA. The Company is a UCITS scheme for the purposes of the FSA Rules and Shareholders are entitled to switch rights in one Fund for rights in another in accordance with the Instrument of Incorporation.

The Company was authorised by the FSA on 29 August 2001 and its Instrument of Incorporation was registered with the Registrar of Companies for England and Wales on 17 September 2001. The Company has an unlimited duration.

The object of the Company is to invest the Scheme Property in transferable securities, money market instruments, cash and near cash, derivative instruments and forward transactions, deposits and units in collective investment schemes in accordance with the FSA Rules applicable to the Company and each Fund in accordance with the type of authorisation of the Company (which may include stock lending, borrowing, cash holdings, hedging and using other investment techniques permitted by the applicable FSA Rules) with the aim of spreading investment risk and giving its Shareholders the benefit of the results of the management of that property.

The Shareholders have no interest in the Scheme Property, and are not liable for the debts of the Company.

The address of the head office of the Company is Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. This is also the address where notices, or other documents, can be served.

The maximum size of the Company's issued share capital is £50,000,000,000. The minimum size of the Company's issued share capital is £100.

Shares in the Company have no par value. The share capital of the Company at all times equals the Net Asset Value of the Company.

The base currency of the Company and of each Fund is pounds Sterling.

The sole director of the Company is JPMorgan Funds Limited, which acts as the authorised corporate director.

1.2 The Structure of the Company

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the ACD with the approval of the FSA and the agreement of the Depositary. On the introduction of any new Fund or Class, a revised Prospectus will be prepared setting out the relevant details of each Fund or Class.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund.

The Company currently has a number of Funds available, details of which are in Appendix A. Each Fund is a UCITS scheme, as defined in the COLL Sourcebook.

Each Fund has a specific portfolio of securities to which that Fund's assets and liabilities are attributable. So far as the Shareholders are concerned each Fund is treated as a separate entity. Creditors of the Company (which may include any governmental tax authorities) may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds if it is necessary to do so to satisfy any creditor proceeding against the Company. In the event that any assets are so re-allocated, the ACD will advise Shareholders in the next succeeding annual or half-yearly report to Shareholders.

Each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which is fair to the Shareholders of the Company generally, but they will normally be allocated to all Funds pro rata to the value of the net assets of the relevant Funds. For certain Share Classes, the ACD has agreed to limit the amount of expenses, costs and charges that will be levied to a fixed amount. See Section 5.4 for further information and Appendix A for the levels involved and Share Classes affected.

1.3 Shares

Classes of Share within the Funds

Several Classes of Share may be issued in respect of each Fund, details of which are in Appendix A. The ACD may make available within each Class net income Shares, gross income Shares, net accumulation Shares and gross accumulation Shares. Not all Share Classes are currently launched. See Appendix A for details of those Share Classes not yet launched. The Share Classes may be launched at the discretion of the ACD.

A net income Share is one where income is distributed periodically to Shareholders, in accordance with relevant tax law net of any tax deducted or accounted for by the Company. A gross income Share is one where income is distributed periodically to Shareholders, in accordance with relevant tax law, without some or any tax being deducted or accounted for by the Company. A net accumulation Share is one in respect of which income (net of any tax deducted or accounted for by the Company) is credited periodically to capital within the relevant Fund. A gross accumulation Share is one in respect of which income is credited periodically to capital of the relevant Fund but in accordance with relevant tax law without deduction or otherwise by the Company of some or any tax.

Holders of income Shares are entitled to be paid the income attributed to such Shares of the appropriate Class on or before the interim and annual income allocation dates applying to the relevant Fund.

Holders of accumulation Shares are not entitled to be paid the income attributable to such Shares, but that income is automatically transferred to (and retained as part of) the capital assets of the relevant Fund at the end of the relevant distribution period and is reflected in the price of an accumulation Share. Where there are both net accumulation Shares and gross accumulation Shares within one Class, the proportions of the Fund within the Class will be adjusted at the end of each distribution period.

Where a Fund has different Classes, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. In these circumstances the proportionate interests of the Classes within a Fund will be adjusted accordingly in accordance with the terms of issue of Shares of those Classes. Also, each Class may have its own investment minima or other features, such as (in the case of the second or further Class of Shares in a Fund) restricted access, at the discretion of the ACD.

The characteristics of Shares in the Company

Details of each Class and the rights attached to each Class in so far as they vary from the rights attached to other Classes are in Appendix A.

Class X shares are designed to accommodate an alternative charging structure whereby the annual fee normally charged to a Class and then passed on in the share price is instead administratively levied and collected directly from the Shareholders through the relevant JPMorgan Chase & Co entity. Class X shares are available to Shareholders at the absolute discretion of the ACD.

Shareholders are entitled (subject to certain restrictions) to switch all or part of their Shares in a Class or a Fund for Shares in another Class within the same Fund or for Shares of the same or another Class within a different Fund. Details of this switching facility and the restrictions are in section 4.3.10.

The Instrument of Incorporation provides for the issue of bearer Shares. However, currently the Company does not issue bearer Shares. When these are issued, they will be issued subject to the discretion of the ACD. There will be no minimum denomination.

The title to registered Shares in the Company is evidenced by entry on the Register. Certificates are not issued to Shareholders, except in the case of bearer Shares. Details of a Shareholder's entry on the Register are available from the ACD on request.

Copies of annual and half yearly reports and information on income distribution may be obtained from the Client Administration Centre, Finsbury Dials, 20 Finsbury Street, London, EC2Y 9AQ on any Dealing Day between 9.00 a.m. and 5.00 p.m. Where short form accounts have been prepared, a report containing the full accounts will be available on request.

The rights attached to the Shares of each Class will be expressed in two denominations, a larger denomination and a smaller denomination. The number of Shares of a Class held by any Shareholder shall be the total of:

$$N + \frac{n}{1000}$$

where N is the number of larger denomination Shares of that Class held and n is the number of smaller denomination Shares of that Class held.

The Register and all documentation sent to the Shareholders will show the number of larger denomination Shares and smaller denomination Shares of the same Class held as a single entry derived from the above formula.

If a Shareholder, at any time, has title to more than 1000 of the smaller denomination Shares of any one Class, then sufficient smaller denomination Shares of that Class will be consolidated into larger denomination Shares of the same Class, in a ratio of 1000 smaller denomination Shares to one larger denomination Share, so that he has title to less than 1000 smaller denomination Shares of that Class.

The ACD may at any time for the purpose of effecting a transaction with a Shareholder in Shares, substitute that Shareholder's entitlement to one or more larger denomination Shares into an entitlement to smaller denomination Shares of the same Class, in a ratio of one larger denomination Share to 1000 smaller denomination Shares.

Part 2: The Service Providers

2.1 The Authorised Corporate Director

The authorised corporate director is JPMorgan Funds Limited, whose registered office is 3 Lochside View, Edinburgh Park, Edinburgh EH12 9DH. Its head office is Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. The ACD is a private limited company with issued share capital of 250,000 ordinary shares of £1 each fully paid. The company was incorporated in Scotland for an unlimited duration as Scottish Bank Insurance and Trust Shares Limited on 27th November 1936, and changed its name to JPMorgan Funds Limited on 14th May 2001. The ultimate holding company of the ACD is JPMorgan Chase & Co. which is incorporated in the United States of America.

The ACD is responsible for managing and administering the affairs of the Company in compliance with the COLL Sourcebook.

The ACD also acts as authorised corporate director to a number of other open-ended investment companies.

The Company may by ordinary resolution remove the ACD before the expiry of its period of office, notwithstanding any provisions in the Instrument of Incorporation or in any agreement between the Company and the ACD, but the removal will not take effect until the FSA has approved the ACD's removal and a new ACD approved by the FSA has been appointed.

The Directors of the ACD are as follows:

James Broderick
Tanaquil McDowall
Roger Thompson
Dan Watkins

None of the above is engaged in any significant business activity which is not connected with the business of the ACD or any of its associates.

Terms of Appointment

The ACD Agreement provides that the appointment of the ACD is for an initial period of five years from 16 November 2001 and thereafter may be terminated upon twelve months' written notice by either the ACD or the Company, although in certain circumstances the Agreement may be terminated forthwith by notice in writing by the ACD to the Company or the Depositary, or by the Company to the ACD. Termination cannot take effect until the FSA has approved the change of director.

The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the Agreement.

The ACD Agreement provides indemnities to the ACD other than for matters arising by reason of its negligence, default, breach of duty or breach of trust in the performance of its duties and obligations.

The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out in part 5.

2.2 The Depositary

The Depositary is National Westminster Bank Plc. The Depositary is incorporated in England and Wales as a public limited company. Its registered and head office is at 135 Bishopsgate, London EC2M 3UR. The ultimate holding company of the Depositary is The Royal Bank of Scotland Group plc which is incorporated in Scotland.

The principal business activity of the Depositary is banking.

Terms of Appointment

The Depositary Agreement may be terminated by either party on three months written notice to the other party.

The Depositary Agreement provides an indemnity in favour of the Depositary and its delegate and exempts it from liability in certain circumstances. These provisions do not apply in respect of the negligence, wilful default or fraud of the Depositary or its delegate, any sub-custodian which is not an associate of the ACD, or their respective agents. In addition, the indemnity does not apply where recovery is made from another person.

The fees to which the Depositary is entitled are set out in part 5.

2.3 The Investment Adviser

The Investment Adviser is JPMorgan Asset Management (UK) Limited. The Investment Adviser is appointed by the ACD.

Like the ACD, the Investment Adviser is a subsidiary of JPMorgan Chase & Co. and in the same group of companies as the ACD. The principal activity of the Investment Adviser is discretionary investment management and the giving of investment advice to the managers of authorised unit trusts and the authorised corporate directors and operators of open-ended investment companies. The Investment Adviser is authorised and regulated by the Financial Services Authority.

Terms of Appointment

Under the terms of the Agreement appointing the Investment Adviser, the Investment Adviser's main duties are to give its best advice about the management, purchase, sale or retention of investments for each of the Funds and to keep the investments of each of the Funds under constant review. Although the ACD retains responsibility for the selection of investments for the Company, the Investment Adviser is permitted to make investment decisions for the ACD on a day to day basis. However, the Investment Adviser must give such advice and make such investment decisions as are consistent with the investment objective of each Fund, the terms of the Instrument of Incorporation, the Prospectus and the Regulations.

The Investment Advisory Agreement may be terminated amongst other things on six months' written notice by any party to the other parties. The fees of the Investment Adviser are paid by the ACD.

2.4 The Registrar

The Company has appointed JPMorgan Asset Management Marketing Limited at the request of the ACD to assist in the functions of registrar to the Company. The registered office of JPMorgan Asset Management Marketing Limited is 125 London Wall, London EC2Y 5AJ.

The Register is maintained at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. The Register may be inspected during normal business hours by any Shareholder or any Shareholder's duly authorised agent at the above address.

The Register is prima facie evidence of entitlement to Shares except in the case of bearer shares.

No notice of any trust shall be entered on the Register.

JPMorgan Asset Management Marketing Limited also produces, distributes and approves marketing material for the Funds.

Terms of Appointment

The Registrar will carry out its duties under the Agreement in accordance with the directions of the Company or the ACD and will not alter the manner in which its duties are carried out without the prior written consent of the Company or the ACD.

The Agreement may be terminated by notice in writing of any party to the other parties, such notice to take effect as stated in the notice.

The fees to which the Registrar is entitled are set out in part 5.

2.5 The Auditors

The auditors to the Company are PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH.

2.6 The Custodian

The Depositary has retained the services of J.P.Morgan Chase Bank, N.A., an associate of the ACD, to assist the Depositary to perform its function of custodian of documents of title or documents evidencing title to the Scheme Property of the Company. The relevant arrangements prohibit JPMorgan Chase Bank, N.A. as such custodian from releasing the documents into the possession of a third party without the consent of the Depositary.

2.7 The Administrator

The ACD has appointed JPMorgan Europe Limited to carry out pricing and valuation functions and for preparing the accounts of the Company. The fees of J.P. Morgan Europe Limited are paid by the ACD. The agreement may be terminated on six months' notice by either party.

2.8 Conflicts of Interest

The ACD, the Investment Adviser and other companies within the JPMorgan Chase Group may, from time to time, act as investment managers or advisers to other companies or funds which follow similar investment objectives to those of the Funds. It is therefore possible that the ACD and/or the Investment Adviser may in the course of their business have potential conflicts of interest with the Company a particular Fund or between the Company and other funds managed by the ACD. Each of the ACD and the Investment Adviser will, however, have regard in such event to its obligations under the ACD Agreement and the Investment Advisory Agreement respectively and, in particular, to its obligation to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients when undertaking any investment where potential conflicts of interest may arise. Where a conflict of interest cannot be avoided, the ACD and the Investment Manager will ensure that the Company and other collective investment schemes it manages are fairly treated.

The ACD acknowledges that there may be some situations where the organisational or administrative arrangements in place for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Company or its shareholders will be prevented. Should any such situations arise the ACD will disclose these to shareholders in an appropriate format.

The Depositary may, from time to time, act as the depositary of other companies or funds, may provide banking or other services to the Company and may purchase or sell or deal in the purchase or sale of Scheme Property, provided always that the services concerned and any such dealing are in accordance with the provisions of the COLL Sourcebook.

The Administrator may, from time to time, act as the administrator of other companies or funds.

Part 3: The Company's Investment & Borrowing Powers

3.1 General rules of investment

The Scheme Property of each Fund will be invested with the aim of achieving the investment objective of that Fund but subject to the limits set out in Chapter 5 of the COLL Sourcebook ("COLL 5") which apply to UCITS Schemes and this Prospectus and any further restrictions in the Instrument of Incorporation. These limits apply to each Fund as summarised below.

3.2 Prudent spread of risk

The ACD must ensure that, taking account of the investment objectives and policy of each Fund, the Scheme Property of each Fund aims to provide a prudent spread of risk.

The requirements on spread of investments do not apply until the expiry of a period of six months after the effective date of the authorisation order in respect of the Fund (or on which the initial offer commenced if later) provided that the requirement to maintain a prudent spread of risk in this section 3.2 is complied with.

3.3 UCITS schemes – permitted types of Scheme Property

The property of a Fund must, except where otherwise provided in COLL 5, consist of any or all of:

(a) transferable securities per section 3.4 below;

(b) Approved Money Market Instruments per section 3.6 below;

(c) units in collective investment schemes;

(d) derivatives and forward transactions;

(e) deposits; and

(f) movable and immovable property that is essential for the direct pursuit of the Company's business.

3.4 Transferable Securities

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

(a) a share

(b) a debenture

(ba) an alternative debenture

(c) a government and public security

(d) a warrant; or

(e) a Certificate Representing Certain Securities

An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.

In applying the above paragraph to an investment which is issued by a body corporate, and which is a share or a debenture, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.

An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

A Fund may invest in a transferable security only to the extent that the transferable security fulfils the criteria in COLL 5.2.7A R relating to potential loss, liquidity, reliable valuation, availability of information and negotiability.

A unit in a closed ended fund shall be taken to be a transferable security for the purposes of investment by a Fund provided it fulfils the criteria for transferable securities set out in COLL 5.2.7A R and the rules relating to the constitution of such a closed ended fund as set out in COLL 5.2.7C R.

3.5 Transferable securities linked to other assets

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

a. fulfils the criteria for transferable securities set out in COLL 5.2.7A R; and

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

Where an investment as described in this section 3.5 contains an embedded derivative component as described in COLL 5.2.19 R (3A), the requirements of COLL with respect to derivatives and forwards will apply to that component.

3.6 Approved Money Market Instruments

An Approved Money Market Instrument is a money market instrument which is normally dealt in on the money market (pursuant to COLL 5.2.7G R), is liquid (pursuant to COLL 5.2.7H R) and has a value that can be accurately determined at any time (pursuant to COLL 5.2.7H R).

A Fund may invest in an Approved Money Market Instrument which meets the requirements of COLL 5.2.10A R (Money market instruments with a regulated issuer).

A Fund may invest in an Approved Money Market Instrument if it is issued or guaranteed as required by COLL 5.2.10B R (Issuers and guarantors of money market instruments).

With the express consent of the FSA, (which takes the form of a waiver under Section 148 of the Act as applied by Section 250 of the Act or Regulation 7 of the OEIC Regulations), a Fund may invest in an Approved Money Market Instrument which meets the requirements of COLL 5.2.10E G.

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

Transferable securities and Approved Money Market Instruments held within a Fund must be:

a) admitted to or dealt in on an eligible market within COLL 5.2.10 R as set out in section 3.8 below; or

b) for an Approved Money Market Instrument not admitted to or dealt in on an eligible market, within COLL 5.2.10A R; or

c) recently issued transferable securities, provided that;

   (i) the terms of issue include an undertaking that application will be made to an eligible market; and

   (ii) such admission is secured within a year of issue.

However, a Fund may invest no more than 10% of its Scheme Property in transferable securities and Approved Money Market Instruments other than those referred to in this section 3.7.

3.8 Eligible markets regime: purpose and requirements

To protect investors, the markets on which investments of a Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.

Where a market ceases to be eligible, investments on that market cease to be approved securities and the 10% restriction on investing in non approved securities applies. A market is eligible for the purposes of the rules if it is:

(a) a regulated market as defined in the FSA Handbook; or

(b) a market in an EEA State which is regulated, operates regularly and is open to the public; or

(c) any market that satisfies the criteria set out below:

   (i) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;

   (ii) the market is included in a list in the Prospectus; and

   (iii) the Depositary has taken reasonable care to determine that:

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

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

Note that in paragraph (c)(i) above, a market must not be considered appropriate unless it:

(a) is regulated;

(b) operates regularly;

(c) is recognised as a market or exchange or as a self-regulating organisation by an overseas regulator;

(d) is open to the public;

(e) is adequately liquid; and

(f) has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.

3.9 Spread: general

(a) This section on spread does not apply to government and public securities.

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

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

(d) Not more than 5% in value of the property of a Fund is to consist of transferable securities or Approved Money Market Instruments issued by any single body, except that the limit of 5% is raised to 10% in respect of up to 40% in value of the property of a Fund. Covered Bonds need not be taken into account for the purpose of applying the limit of 40%

(e) The limit of 5% is raised to 25% in value of the Scheme Property of a Fund in respect of Covered Bonds, provided that when a Fund invests more than 5% in Covered Bonds issued by a single body, the total value of Covered Bonds held must not exceed 80% in value of the Scheme Property of the Fund.

(f) In applying the above limits, Certificates Representing Certain Securities are to be treated as equivalent to the underlying security.

(g) No more than 5% of the value of the property of a Fund may be invested in warrants except where a Fund's investment objective and policy, as specified in Appendix A, states that this limit does not apply to that Fund.

(h) Not more than 20% in value of the property of a Fund is to consist of transferable securities and Approved Money Market Instruments issued by the same group.

(i) The exposure to any one counterparty in an OTC Derivative transaction must not exceed 5% in value of the property of a Fund; this limit being raised to 10% where the counterparty is an Approved Bank.

(j) Not more than 20% in value of the property of a Fund is to consist of the units of any one collective investment scheme. Currently, no more than 10% in value of the property of any Fund will be invested in collective investment schemes.

(k) In applying the above limits, not more than 20% in value of the property of a Fund is to consist of any combination of two or more of the following:

  (i) transferable securities or Approved Money Market Instruments issued by; or

  (ii) deposits made with; or

  (iii) exposures from OTC Derivatives transactions made with;

a single body.

3.10 Counterparty risk and issuer concentration

(a) The ACD must ensure that counterparty risk arising from an OTC derivative is subject to the limits set out in paragraph 3.9 (i) and (k) above.

(b) When calculating the exposure of a Fund to a counterparty in accordance with the limits in paragraph (i), the ACD must use the positive mark-to-market value of the OTC derivative contracts with that counterparty.

(c) The ACD may net the OTC derivative positions of a Fund with the same counterparty, provided they are able legally to enforce netting agreements with the counterparty on behalf of the Fund.

(d) The netting agreements in paragraph (c) above are permissible only with respect to OTC derivatives with the same counterparty and not in relation to any other exposures the Fund may have with that same counterparty.

(e) The ACD may reduce the exposure of Scheme Property to a counterparty of an OTC derivative through the receipt of collateral. Collateral received must be sufficiently liquid so that it can be sold quickly at a price that is close to its pre-sale valuation.

(f) The ACD must take collateral into account in calculating exposure to counterparty risk in accordance with the limits in paragraph 3.9(i) when it passes collateral to an OTC counterparty on behalf of a Fund.

(g) Collateral passed in accordance with paragraph (f) may be taken into account on a net basis only if the ACD is able legally to enforce netting arrangements with this counterparty on behalf of that Fund.

(h) In relation to the exposure arising from OTC derivatives as referred to in paragraph 3.9(k), the ACD must include any exposure to OTC derivative counterparty risk in the calculation.

(i) The ACD must calculate the issuer concentration limits referred to in paragraph 3.9(k) on the basis of the underlying exposure created through the use of OTC derivatives pursuant to the commitment approach.

3.11 Spread: government and public securities ("GAPS")

The following section applies to government and public securities ("such securities").

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

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

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

b. no more than 30% in value of the property of the Fund consists of such securities of any one issue;

c. the property of the Fund includes such securities issued by that or another issuer, of at least six different issues; and

d. the disclosures required in COLL 5.2.12 R (4) have been made.

e. where more than 35% of the Scheme Property is invested in GAPS, a Fund may invest in GAPS issued or guaranteed by or on behalf of the Government of the United Kingdom (including the Scottish Executive, the Executive Committee of the Northern Ireland Assembly, the National Assembly of Wales) Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and United States or by one of the following international organisations: African Development Bank, Asian Development Bank (ADB), Council of Europe Development Bank, Deutsche Ausgleichsbank (DTA), Eurofima, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KFW), LCR Finance plc, and Nordic Investment Bank (NIB).

In this section in relation to such securities:

(a) issue, issued and issuer include guarantee, guaranteed and guarantor; and

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

Notwithstanding COLL 5.2.11 R (1) and subject to (b) and (c), in applying the 20% limit in COLL 5.2.11 R (10) with respect to a single body, government and public securities issued by that body shall be taken into account.

3.12 Investment in collective investment schemes

Not more than 10 % in value of the property of any Fund will be invested in collective investment schemes (“Second Scheme”).

A Fund must not invest in a Second Scheme unless that Second Scheme meets each of the requirements below:

(a) The Second Scheme must:

- (i) satisfy the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
- (ii) be recognised under the provisions of s.270 of the Act ; or
- (iii) be authorised as a non-UCITS retail scheme (provided the requirements of Article 19(1)(e) of the UCITS Directive are met); or
- (iv) be authorised in another EEA State (provided the requirements of Article 19(1)(e) of the UCITS Directive are met); or
- (v) be authorised by the competent authority of an OECD member country (other than another EEA State) which has:
  - (a) signed the IOSCO Multilateral Memorandum of Understanding; and
  - (b) approved the scheme’s management company, rules and depositary/custody arrangements (provided the requirements of Article 19 (1) (e) of the UCITS Directive are met).

(b) The Second Scheme must have terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes.

(c) The Second Scheme must comply, where relevant, with COLL 5.2.15 R (Investment in associated collective investment schemes) and COLL 5.2.16 R (investment in other group schemes).

Where the Second Scheme is an umbrella, the provisions in (b) and (c)and COLL 5.2.11 (Spread: general) apply to each sub-fund as if it were a separate scheme.

3.13 Investment in nil and partly paid securities

A transferable security or an Approved Money Market Instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in COLL 5.

3.14 Derivatives – General

Under the COLL Sourcebook, derivative transactions may be used for the purposes of Efficient Portfolio Management (“EPM”) (including hedging) or meeting the investment objectives, or both. Derivatives may currently be used by all of the Funds only for the purpose of EPM and hedging in accordance with section 3.15 below.

A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind specified in COLL 5.2.20 R (Permitted transactions (derivatives and forwards)); and the transaction is covered, as set out in COLL 5.3.3A R (Cover for investment in derivatives).

Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL 5.2.11 R (Spread: general) and COLL 5.2.12 R (Spread: government and public securities) except for index based derivatives where the rules below apply.

Where a transferable security or money market instrument embeds a derivative as defined in COLL 5.2.19 R (3A) and COLL 5.2.19A G, they are subject to the rules on derivatives as set out in COLL.

Where a Fund invests in an index based derivative, provided the relevant index satisfies the requirements of COLL 5.2.33 R (Relevant indices) the underlying constituents of the index do not have to be taken into account for the purposes of the rules on spread in the COLL Sourcebook (referred to above). This relaxation is subject to the ACD continuing to ensure that the property of a Fund provides a prudent spread of risk pursuant to COLL 5.2.3 R.

3.15 Efficient Portfolio Management ("EPM") (including hedging)

Currently the ACD may use derivative transactions for the purposes of EPM (including hedging).

The ACD may apply any EPM techniques (including hedging) which must fulfil the following criteria:

a. they are economically appropriate in that they are realised in a cost-effective way;

b. they are entered into for one or more of the following specific aims;

    (i) reduction of risk;

    (ii) reduction of cost; or

    (iii) generation of additional capital or income for the Fund with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL.

EPM techniques (including hedging) employ the use of derivatives and/or forward transactions. Any derivative which a Fund acquires in relation to EPM (including hedging) must be fully covered from within the property of the Fund. The cover provided will depend on the nature of the exposure. Cover may be provided through the holding of certain classes of property (including cash, near cash, borrowings permitted to the Fund and transferable securities appropriate to provide cover for the exposure in question) and/or rights to acquire or dispose of property. Cover for a derivative may also be provided by entering into one or more countervailing derivatives.

The use of derivatives in a Fund for the purposes of EPM will not materially change the risk profile of the Fund. However, investment in derivatives can potentially expose a Fund to the risks shown in section 11.14 below.

3.16 Permitted transactions (derivatives and forwards)

A transaction in a derivative must be in an Approved Derivative; or be one which satisfies the criteria in COLL 5.2.23 R (OTC Transactions in Derivatives).

The underlying of a derivative must consist of any or all of the following insofar as they satisfy the criteria in COLL and are pursuant to the investment objective and policy of a Fund:

(i) transferable securities;

(ii) Approved Money Market Instruments;

(iii) deposits;

(iv) derivatives;

(v) collective investment scheme units;

(vi) financial indices;

(vii) interest rates;

(viii) foreign exchange rates; and

(ix) currencies.

A transaction in an Approved Derivative must be effected on or under the rules of an Eligible Derivatives Market.

A transaction in a derivative must not cause the Fund to diverge from its investment objectives as stated in the Instrument of Incorporation and the most recently published version of this Prospectus.

A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, Approved Money Market Instruments, units in collective investment schemes or derivatives provided that a sale is not to be considered as uncovered if the conditions in COLL 5.2.22 R (3) (Requirement to cover sales) and COLL 5.3.3AR (Cover for investment derivatives) are satisfied.

Any forward transaction must be with an Eligible Institution or an Approved Bank.

A derivative includes an instrument which fulfils the following criteria:

a. it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;

b. it does not result in the delivery or the transfer of assets other than those referred to in COLL 5.2.6A R (UCITS scheme: permitted types of Scheme Property) including cash;

c. in the case of an OTC derivative, it complies with the requirements in COLL 5.2.23 R (OTC transactions in derivatives);

d. its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

A Fund may not undertake transactions in derivatives on commodities.

3.17 Financial indices underlying derivatives

The financial indices referred to in section 3.16 above are those which satisfy the following criteria:

(a) the index is sufficiently diversified as set out in COLL 5.2.20A R(2); and

(b) the index represents an adequate benchmark for the market to which it refers as set out in COLL 5.2.20A R (3); and

(c) the index is published in an appropriate manner as set out in COLL 5.2.20A R (4).

Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to COLL 5.2.20 R (2) be regarded as a combination of those underlyings.

3.18 Transactions for the purchase of property

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

3.19 Requirement to Cover Sales

No agreement by or on behalf of the Fund to dispose of property or rights may be made unless:

a. the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund by delivery of property or the assignment of rights; and

b. the property and rights at (a) are owned by the Fund at the time of the agreement.

This requirement does not apply to a deposit.

3.20 OTC Transactions in Derivatives

Any transaction in an OTC Derivative under COLL 5.2.20 R (1) (b) must be:

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

(b) on approved terms, pursuant to COLL 5.2.23 R (2); and

(c) capable of reliable valuation, pursuant to COLL 5.2.23 R (3); and

(d) subject to verifiable valuation, pursuant to COLL 5.2.23 R (4).

3.21 Valuation of OTC derivatives

For the purposes of paragraph 3.20(b), the ACD must:

(a) establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and

(b) ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

Where the arrangements and procedures referred to in paragraph (a) above involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

The arrangements and procedures referred to in (a) must be:

(a) adequate and proportionate to the nature and complexity of the OTC derivative concerned; and

(b) adequately documented.

3.22 Risk Management

The ACD uses a risk management process (including a risk management policy) in accordance with COLL 6.12, as reviewed by the Depositary and filed with the FSA, enabling it to monitor and measure at any time the risk of a Fund's positions and their contribution to the overall risk profile of the Fund. The following details of the risk management process must be regularly notified to the FSA and at least on an annual basis;

a. a true and fair view of the types of derivatives and forward transactions to be used within the Fund together with their underlying risks and any relevant quantitative limits.

b. the methods for estimating risks in derivative and forward transactions.

The ACD must notify the FSA in advance of any material alteration to the details in a) or b) above.

3.23 Investment in deposits

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

3.24 Significant influence

The Company must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

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

b) the acquisition gives the Company that power.

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

3.25 Concentration

The Company:

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

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

 (ii) represent more than 10% of these securities issued by that body corporate;

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

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

(d) must not acquire more than 10% of the Approved Money Market Instruments issued by any single body;

(e) need not comply with the limits in (b), (c) and (d) if, at the time of the acquisition, the net amount in issue of the relevant investment cannot be calculated.

3.26 Schemes replicating an index

Notwithstanding COLL 5.2.11 R (Spread : general) a Fund may invest up to 20% in value of the Scheme Property in shares and debentures which are issued by the same body where the stated investment policy is to replicate the composition of a relevant index which satisfies the criteria specified in COLL 5.2.33 R (Relevant indices).

Replication of the composition of a relevant index shall be understood to be a reference to replication of the composition of the underlying assets of that index, including the use of techniques and instruments permitted for the purpose of Efficient Portfolio Management (see section 3.15 above).

The 20% limit can be raised for a particular Fund up to 35% in value of the Scheme Property, but only in respect of one body and where justified by exceptional market conditions.

3.27 Cover for Investment in Derivatives

A Fund may invest in derivatives and forward transactions as part of its investment policy provided:

(a) its global exposure relating to derivatives and forward transactions held in the Fund does not exceed the net value of the Scheme Property; and

(b) its global exposure to the underlying assets does not exceed in aggregate the investment limits laid down in paragraph 3.9 above.

3.28 Daily calculation of global exposure

The ACD must calculate the global exposure of a Fund on at least a daily basis.

The ACD must calculate the global exposure of any Fund it manages either as:

(a) the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in paragraph 3.14 (Derivatives: general), which may not exceed 100% of the net value of the Scheme Property by means of the commitment approach; or

(b) the market risk of the Scheme Property by means of a value at risk approach

The ACD must ensure that the method selected above is appropriate, taking into account:

(a) the investment strategy pursued by the Fund;

(b) types and complexities of the derivatives and forward transactions used; and

(c) the proportion of the Scheme Property comprising derivatives and forward transactions.

Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with paragraph 3.30 (Stock lending) in order to generate additional leverage or exposure to market risk, the authorised fund manager must take those transactions into consideration when calculating global exposure.

Commitment approach

Where the ACD uses the commitment approach for the calculation of global exposure, it must:

(a) ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in paragraph 3.14 (Derivatives: general)), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of efficient portfolio management in accordance with paragraph 3.30 (Stock lending); and

(b) convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

The ACD may apply other calculation methods which are equivalent to the standard commitment approach.

For the commitment approach, the ACD may take account of netting and hedging arrangements when calculating global exposure of a Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund in accordance with paragraph 3.32 (Borrowing powers) need not form part of the global exposure calculation.

Value at risk approach

Value at risk (or VaR) is a means of measuring the maximum potential loss to a Fund due to market risk. VaR is expressed as the maximum potential loss at a given "confidence" level over a specific period. In calculating VaR, the ACD uses historical data on the performance assets. The period used for this purpose is the "observation period".

The ACD calculates VaR with the following parameters:

- Confidence interval: 99%
- Observation period: 1 year (250 days)
- Holding period: 1 month (20 days)

For example, if a fund has a VaR of £4 million based on a 99% confidence level on a 1 month (20 business days) holding period, this means that, under normal market conditions, the fund can be 99% confident that the fund will not suffer a loss of more than £4 million over a month period.

VaR is calculated using the "absolute VaR" approach or the "relative VaR" approach.

Absolute VaR

"Absolute VaR" is the VaR of a Fund expressed as a percentage of the Net Asset Value of the Fund. In the example above, if £4 million equals 15% of that fund's net asset value, the absolute VaR would be 15%. For each Fund using absolute VaR, the ACD has set a maximum VaR limit of 20%. So, in the example above, if on any particular day, the calculation showed the absolute VaR to be 25%, the ACD would need to take steps to change the portfolio so that the VaR came back to a maximum of 20%.

Absolute VaR is generally an appropriate approach for funds that do not have an identifiable benchmark or for funds investing in multi-asset classes which do not define their investment target in relation to a benchmark but rather to an absolute return target.

Relative VaR

"Relative VaR" is the VAR of a fund expressed as a multiple of the VaR of a benchmark or reference portfolio (ie a portfolio similar to the fund's portfolio but which does not include derivatives). The reference portfolio for VAR purposes may be different from the benchmark used for performance calculation. For a Fund that uses the relative VaR approach, the relative VaR on the Fund's portfolio must not exceed twice the VaR on the comparable benchmark or reference portfolio.

Following the example above, if the daily VaR calculation showed the VaR to be £4 million or 15% of NAV and the VaR of the reference portfolio to be 5% of its value, the relative VaR of the Fund would exceed twice the VaR on the reference portfolio and the ACD would need to take steps to change the portfolio so that the portfolio VaR came back to a maximum of twice the VaR on the reference portfolio.

3.29 Borrowing

Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is not available for cover under COLL 5.3.3 R (Cover for transactions in derivatives and forward transactions), except if the following applies.

Where, for the purposes of this section, the Company:

a. borrows an amount of currency from an Eligible Institution or an Approved Bank; and

b. keeps an amount in another currency, at least equal to the borrowing for the time being in a. above on deposit with the lender (or his agent or nominee);

then this section applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property.

3.30 Stock lending

The entry into stock lending arrangements or repo contracts for a Fund is permitted under COLL 5.4.3 R with a view to the generation of additional income for the Fund, and hence for its investors, with an acceptable degree of risk.

The specific method of stock lending permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in Section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers securities to the borrower otherwise than by way of sale and the borrower is to transfer those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.

The Company or the Depositary at the request of Company may enter into a repo contract, or a stock lending arrangement of the kind described in Section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by Section 263C), but only if:

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

b. the counterparty is an authorised person, a person authorised by a home state regulator or a person registered as a broker-dealer with the Securities and Exchange Commission of the United States of America or;

c. a bank, or a branch of a bank, supervised and authorised to deal in investments as principal, with respect to OTC derivatives by at least one of the following federal banking supervisory authorities of the United States of America:

    (i) the Office of the Comptroller of the Currency;

    (ii) the Federal Deposit Insurance Fund;

    (iii) the Board of Governors of the Federal Reserve System; and

    (iv) the Office of Thrift Supervision; and

d. collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Depositary, adequate pursuant to COLL 5.4.6 R (1) and sufficiently immediate pursuant to COLL 5.4.6 (2). These requirements do not apply to a stock lending transaction made through Euroclear Bank SA/NV's Securities and Borrowing Programme.

The Depositary must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Depositary. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Depositary takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.

Any agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation under the COLL Sourcebook, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Fund.

Collateral transferred to the Depositary is part of the property of a Fund for the purposes of the COLL Sourcebook except in the following respects:

a. it does not fall to be included in any valuation for the purposes of COLL 6.3 or this section, because it is offset by an obligation to transfer; and

b. it does not count as property of a Fund for any purposes other than this section.

3.31 Cash and near cash

Cash and near cash must not be retained in the Scheme Property except to the extent that this may reasonably be regarded as necessary in order to enable:

(a) the pursuit of a Fund's investment objectives; or

(b) redemption of units; or

(c) efficient management of the Fund in accordance with its investment objectives; or

(d) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund.

During the period of the initial offer the Property of the Fund may consist of cash and near cash without limitation.

3.32 Borrowing powers

The Company may, on the instructions of the ACD and subject to COLL 5.5.5 R (Borrowing limits), borrow money from an Eligible Institution or an Approved Bank for the use of the Company on terms that the borrowing is to be repayable out of the Scheme Property.

Borrowing must be on a temporary basis, must not be persistent, and in any event must not exceed three months without the prior consent of the Depositary, which may be given only on such conditions as appear appropriate to the Depositary to ensure that the borrowing does not cease to be on a temporary basis.

The ACD must ensure that borrowing does not, on any business day, exceed 10% of the value of each Fund.

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

Borrowing includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into a Fund in the expectation that the sum will be repaid.

The Company must not issue any debenture unless it acknowledges or creates a borrowing that complies with this section.

3.33 Restrictions on lending of money

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

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

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

3.34 Restrictions on lending of property other than money.

The Scheme Property of a Fund other than money must not be lent by way of deposit or otherwise.

Stock lending transactions are not regarded as lending for this purpose.

The Scheme Property of a Fund must not be mortgaged.

Nothing in this section 3.34 prevents the Company or the Depositary at the request of the Company from lending, depositing, pledging or charging Scheme Property for margin requirements where transactions in derivatives or forward transactions are used for the account of a Fund.

3.35 General

It is not intended that any Fund will have an interest in any immovable property or tangible movable property.

No Fund may invest in the Shares of another Fund within the Company.

Where the Company invests in or disposes of units or shares in another collective investment scheme which is managed or operated by the ACD or an associate of the ACD, the ACD must pay to the Company by the close of business on the fourth business day the amount of any preliminary charge in respect of a purchase, and in the case of a sale, any charge made for the disposal.

A potential breach of any of these limits does not prevent the exercise of rights conferred by investments held by the Fund if the consent of the Depositary is obtained in writing but, in the event of a consequent breach, the ACD must then take such steps as are necessary to restore compliance with the investment limits as soon as practicable having regard to the interests of Shareholders.

3.36 General power to accept or underwrite placings

Underwriting and sub underwriting contracts and placings may also, subject to certain conditions set out in COLL 5.5.8 R, be entered into for the account of the Company.

3.37 Guarantees and indemnities

a. The Company or the Depositary on behalf of the Company must not provide any guarantee or indemnity in respect of the obligation of any person.

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

Sections a) and b) above do not apply in the circumstances in COLL 5.5.9 R (3).

Part 4: Valuations, Pricing & Dealing

4.1 Valuations

The price of a Share in the Company is calculated by reference to the Net Asset Value (or the relevant proportion of the Net Asset Value) of the Fund to which it relates. Each Fund will have a regular valuation point and deal cut-off point at 12 p.m. on each Dealing Day unless specified otherwise in the relevant appendix, although the ACD, at its discretion and subject to consultation with the Depositary, reserves the right not to have a regular valuation point for a particular Fund or Funds if this would be inappropriate or unnecessary due to the underlying investments or frequency of dealing of a particular Fund or Funds, subject always to the minimum required by the Regulations from time to time. The ACD may create an additional valuation point for any Fund at any time.

The Scheme Property attributed to each Fund will be valued at each valuation point of that Fund to determine the proportion of the Net Asset Value attributable to each Class in that Fund for the purpose of calculating the price of each Class in that Fund.

The value of the Scheme Property attributed to the Fund will be the value of its assets less the value of its liabilities. All the Scheme Property attributed to the Fund will be included in each valuation. All instructions to issue or cancel Shares given for a prior valuation point shall be assumed to have been carried out (and any cash paid or received).

Each Fund formed after this Prospectus is superseded may bear its own direct establishment costs. This has not been the case to date.

The valuation will be based on the following:

(a) Cash and amounts held in current and deposit accounts and in other time-related deposits will be valued at their nominal value.

(b) Except in the case of units in an authorised unit trust or units or shares in other collective investment schemes, all transferable securities will be valued:

   (i) If an appropriate single price for buying and selling the security is quoted or obtainable, at that price.

   (ii) If appropriate separate bid and offer prices are quoted or obtainable, the average of these two prices adjusted, if necessary taking account of dealing sizes and other relevant factors.

   (iii) Otherwise, where no appropriate price is quoted or obtainable, at a price which, in the opinion of the ACD, is a fair and reasonable mid-market price for that security adjusted to take account of dealing sizes and other relevant factors.

(c) Units or shares in an authorised unit trust or other collective investment scheme will be valued:

   (i) Where the ACD would expect to purchase units for a different amount (not including an initial charge or dilution levy, if any) from that it would receive on the sale of those units (not including a redemption charge or dilution levy, if any), and is able to obtain those amounts, at the average of the latest of those two amounts.

   (ii) Where the ACD would expect to purchase units for the same amount (not including an initial charge or dilution levy, if any) as that it would expect to receive on a sale of those units (not including a redemption charge or dilution levy, if any), and is able to obtain that amount, at that amount.

   (iii) Otherwise at the average of the latest bid price and offer price of the units or shares.

(d) A contingent liability transaction will be valued at the net value on closing out, excluding transaction costs, whether as a positive or negative value.

   If the property is an off-exchange derivative, the method of valuation will be agreed between the ACD and the Depositary.

(e) All other Scheme Property will be priced at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.

(f) If there are any outstanding agreements to purchase or sell any of the Scheme Property attributed to the Fund which are uncompleted, then the valuation will assume completion of the agreement. However, the ACD need not include agreements that have been received by the ACD less than half an hour before the valuation point.

Not included in this paragraph are any futures or contracts for differences which are not yet due to be performed and are unexpired, and any unexercised written or purchased options.

(g) Added to the valuation will be:

   (i) any accrued and anticipated tax repayments of the Company attributed to the Fund;

   (ii) any money due to the Company, and attributed to the Fund, because of Shares issued prior to the valuation point;

   (iii) income due and attributed to the Fund but not received by the Company; and

   (iv) any other credit of the Company due to be received by the Company and attributed to the Fund.

Amounts which are de minimis may be omitted from the valuation.

(h) Deducted from the valuation will be:

(i) any anticipated tax liabilities of the Company attributed to the Fund;

(ii) any money due to be paid out by the Company, and attributed to the Fund, because of Shares cancelled prior to the valuation point;

(iii) the principal amount and any accrued but unpaid interest on any borrowings and attributed to the Fund; and

(iv) any other liabilities of the Company attributed to the Fund, with periodic items accruing on a daily basis.

Amounts which are de minimis may be omitted from the valuation.

4.2 Price of Shares

The Net Asset Value of each Class in each Fund will be calculated as follows:

(a) The value of the property of the Fund (excluding the distribution account and the unclaimed distribution account) will be calculated at the relevant valuation point as in 4.1 above.

(b) The value of the proportionate interests of each Class within each Fund will be ascertained by reference to the proportion which the Net Asset Value of the Shares of entitlement of the relevant Class bears to the Net Asset Value of the total shares of entitlement in the Fund.

(c) The number of larger denomination Shares and smaller denomination Shares of the relevant Class in issue immediately prior to the valuation point will be ascertained.

(d) The number of smaller denomination Shares of the Class concerned will be notionally converted into larger denomination Shares of the Class concerned by dividing the number of smaller denomination Shares of that Class by one thousand. The result will be expressed to three decimal places and will be added to the number of larger denomination Shares of that Class.

Price per Share of each Class in each Fund will be calculated as follows:

(e) The Net Asset Value per Share for the larger denomination Shares of the relevant Class will be (b) above, divided by the number of larger denomination Shares of that Class in issue calculated in accordance with (d), above. This figure will be rounded to at least four significant figures. A Dilution Adjustment, as described in section 4.3.2 below, may be applied to this figure.

(f) The Net Asset Value per Share for the smaller denomination Shares of that Class will be one thousandth of that of the larger denomination Shares of that Class ascertained in (e) above. This figure will be rounded to at least four significant figures. A Dilution Adjustment, as described in section 4.3.2 below, may be applied to this figure.

As the Fund deals on the basis of single pricing,
subject to any preliminary charge, any switching charge, any redemption charge and/or dilution adjustment (see section 4.3.2), the price payable by an investor buying Shares will be the same as when a Shareholder sells Shares.

4.3 Dealing in Shares

4.3.1 Dealing Prices

Shares may normally be bought from and sold to the ACD by telephone between 9 a.m. and 5 p.m. on any Dealing Day (or at other times at the ACD's discretion). If requested the ACD may deal as agent between the investor and the Company.

All dealing will be forward to the prices calculated at the next Valuation Point.

The price per Share at which shares are bought from and sold to the ACD is the Price per share, determined as described in 4.2 above. Any preliminary charge, redemption charge and switching charge is payable, as appropriate, in the addition to the price. A contract note confirming the transaction will be dispatched by the close of business on the first working day after the valuation point at which the transaction was priced.

The latest Prices of Class A Shares of each Fund issuing such Shares, together with the latest preliminary charge and estimated gross yield for these Class A Shares are published daily in the Financial Times. For reasons beyond the control of the ACD, these will not be the current prices.

Share prices for other classes of Shares can be found online at www.jpmorganassetmanagement.co.uk or obtained by telephone from the offices of the ACD.

4.3.2 Dilution

The Company may suffer dilution (reduction) in the value of the Scheme Property as a result of both direct and indirect costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of such investments, although, as dilution is directly related to the inflows and outflows of monies from each Fund, it is not possible to accurately predict whether dilution will occur at any point in the future. If it does occur it will have an adverse impact on the interests of shareholders.

Dilution Adjustment

With a view to countering the effects of dilution, the ACD has the power to make a dilution adjustment, but may only exercise this power for the purpose of reducing dilution in a Fund, or to recover any amount which it has already paid or reasonably expects to pay in the future in relation to the issue or cancellation of Shares. Any Dilution adjustment charged is added to the Scheme Property and is effectively used to offset the expenses incurred through the purchase and sale of investments within a Fund. Other Expenses that may be charged in addition to any dilution adjustment are set out in sections 5.4 and 5.5 of the Prospectus.

If the ACD decides not to make a dilution adjustment, this decision must not be made for the purposes of creating a profit or avoiding a loss for the account of the ACD.

The price of each Class of Share in a Fund will be calculated separately but any dilution adjustment will in percentage terms affect the price of Shares of each Class identically.

The rate of any dilution adjustment will be reviewed on a periodic basis as determined from time to time by the ACD. The rate will include estimates of the spreads between the buying and selling prices of the underlying investments, professional fees such as brokers' commissions and taxes. The rate may also include an allowance for market impact.

The estimated rates of dilution adjustment, at 15th August 2011, excluding any allowance for market impact, are given below and are split between occasions when the dilution adjustment reflects a net creation of shares ("offer basis") and occasions where the dilution adjustment reflects a net cancellation of shares ("bid basis")

Fund Name	Offer	Bid
JPM Europe Smaller Companies Fund	0.40	0.40
JPM UK Smaller Companies Fund	1.20	0.70
JPM US Smaller Companies Fund	0.25	0.25

A dilution adjustment may be made in the following circumstances:

- where the net creations or cancellation of Shares exceeds the lower of either, £750,000 (seven hundred and fifty thousand pounds) or 1.00% of the Net Asset Value (excluding any dilution adjustment), on a Dealing Day (The ACD reserves the right to review the dilution adjustment threshold without prior notification, for the purpose of ensuring that the threshold does not have the effect of materially prejudicing existing shareholders);

- to reflect the expanding or contracting trend of a Fund; or

- at any other time the ACD considers that the non-application of the dilution adjustment will materially affect the interests of Shareholders.

It is not possible to accurately predict whether dilution adjustment will be applied in the future. However, for illustrative purposes, over the 12 month period to 31st December 2010, a dilution adjustment was made on an average of 4.47% of the Dealing Days during that period.

4.3.3 Buying Shares

Shares may be bought through intermediaries or direct from the ACD as principal or agent. An intermediary who recommends Shares in the Company may be entitled to receive commission from the ACD.

Requests to buy Shares may be made in writing by completion of the appropriate application form which can be downloaded from www.jpmorganassetmanagement.co.uk or, at the ACD's discretion, by telephone to the ACD's dealing department on any Dealing Day. Shares may also be bought online following registration by the investor at JPM 'online' www.jpmorganassetmanagement.co.uk. Payment for the purchase of Shares by telephone must reach the ACD within four working days. Payment for the purchase of Shares by post must be accompanied by a cheque or a telegraphic transfer of monies for the total amount to be invested. Payment for the purchase of Shares online must be made using an approved debit card, or with ACD discretion, via a bank transfer (details of all acceptable card types can be found at the above internet address). The minimum investment amounts for each Class are set out in Appendix A. In the event that a deal is accepted resulting in a holding below the minimum investment amount for the relevant Class, the ACD has discretion to switch the holding into the appropriate Class of the same Fund and will notify the Shareholder accordingly. In certain circumstances, the minimum investment amounts may be waived at the ACD's discretion.

Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant. Instead, smaller denomination Shares will be issued. A smaller denomination Share is equivalent to one thousandth of a larger denomination Share.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or in part, and in this event the ACD will return any monies sent, or the balance of such monies at the risk of the applicant.

Save for business investors or investors who have dealt through an independent intermediary who has instructed the ACD otherwise, an investor has a right to cancel his deal at any time during the 14 days after the date on which they receive a cancellation notice from the ACD. If an investor decides to cancel the contract, and the value of their investment has fallen at the time the ACD receives their completed cancellation notice, the investor will not get a full refund; an amount equal to any fall in value will be deducted from the sum originally invested.

4.3.4 Selling Shares

Instructions for the sale of Shares may be given in writing, online following registration by the investor at JPM 'online' www.jpmorganassetmanagement.co.uk or, at the ACD's discretion, by telephone to the ACD's dealing department. In addition, the ACD may from time to time make arrangements to allow Shares to be sold through other communication media. At present, transfer of title by electronic communication is not accepted. The ACD may act as principal or agent. Subject to the COLL Sourcebook, the redemption proceeds of a sale of Shares will normally be paid by direct credit to a Shareholder's bank account by the close of business four working days after the later of the ACD receiving properly completed documentation or the valuation point after the order was received. Redemption proceeds are normally payable only to one or more of the registered Shareholders. The ACD may at its option carry out any authentication procedures that it considers appropriate to verify, confirm or clarify shareholder payment instructions relating to a redemption application. This aims to mitigate the risk of error and fraud for the Company, its agents or Shareholders. Where it has not been possible to complete any authentication procedures to its satisfaction, the ACD may, at its discretion, delay the processing of payment instructions until authentication procedures have been satisfied, to a date later than the envisaged payment date for redemptions set out in this section. This shall not affect the Dealing Day on which the redemption application is accepted and shall not affect the fact that the Price of Shares for any redemption shall be determined on the Dealing Day on which the redemption application is accepted.

If the ACD is not satisfied with any verification or confirmation, it may decline to execute the relevant redemption instruction until the ACD has obtained satisfaction.

Neither the ACD nor the Company shall be held responsible to the Shareholder or anyone if it delays execution or declines to execute redemption instructions in these circumstances.

The ACD reserves the right, at all times, to require a form of renunciation to be completed. If this is necessary, it will be issued with the contract note. The ACD also reserves the right to send repurchase proceeds by cheque to the registered address.

The minimum value of Shares which may be sold in each Class of each Fund is given in Appendix A. Any Shares transferred directly to the Company, with the ACD acting as agent, will be cancelled. If, as a result of a sale instruction, a holding would fall below the minimum investment amount for the Class concerned, the ACD has discretion to switch the holding to the appropriate Class of the same Fund and will notify the Shareholder accordingly. In certain circumstances, the minimum investment amounts may be waived at the ACD's discretion.

4.3.5 Issue of Shares in Exchange for in Specie Assets

The ACD may arrange for the Company to issue Shares in exchange for assets but will only do so where the Depositary has taken reasonable care to determine that the acquisition by the Company of those assets in exchange for the Shares concerned is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

The ACD will, by the close of business on the fourth business day following the issue of any Shares in exchange for assets as above, ensure transfer to the Depositary of the assets to be taken in exchange.

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

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

4.3.6 In Specie Redemptions and Cancellations of Shares

In specie redemptions and cancellation of Shares will be allowed:

(a) In the case of holdings valued at less than 5% of the value of the Scheme Property attributed to the Fund, at the request of the Shareholder, and at the discretion of the ACD.

(b) In the case of holdings valued at 5% or greater of the value of the Scheme Property attributed to the Fund, at the request of the Shareholder and at the discretion of the ACD, or if the ACD so demands by written notice to the Shareholder.

The ACD will give written notice to the Shareholder before the proceeds of the cancellation would otherwise become payable in cash that in lieu of such payment the Company will transfer Scheme Property of the relevant Fund (or, if agreed by the ACD and properly authorised by the Shareholder, the net proceeds of such Scheme Property) to the Shareholder.

The Scheme Property to be transferred (or, if agreed by the ACD and properly authorised by the Shareholder, the proceeds of sale of such Scheme Property) is subject to the retention by the Company of Scheme Property or cash of a value or amount equivalent to any stamp duty reserve tax or stamp duty to be paid in relation to the cancellation of Shares.

The ACD will select the Scheme Property to be transferred in consultation with the Depositary. They must ensure that the selection is made with a view to achieving no more advantage or disadvantage to the Shareholder requesting the cancellation/redemption than to continuing Shareholders.

4.3.7 Transfer of Shares

(a) All transfers of registered Shares must be effected by transfer in writing in any usual or common form or in any other form as may be approved by the ACD.

(b) A single instrument of transfer may not be given in respect of more than one Class.

(c) In the case of a transfer of joint holders, the number of joint holders to whom a Share is to be transferred may not exceed four.

(d) The Company may refuse to register a transfer of Shares unless an amount equivalent to the applicable stamp duty reserve tax has been paid.

4.3.8 Publication of Share Prices

Share prices of Class A Shares are quoted daily in the Financial Times. Prices of other Share Classes can be obtained online at www.jpmorganassetmanagement.co.uk or by telephone at the offices of the ACD.

4.3.9 Monthly Savings Plan

A list of Classes to which the Monthly Savings Plan can be linked, together with the minimum monthly investment per Class is given in Appendix A.

Monthly contributions to purchase Shares are paid by direct debit. These will be invested at the Net Asset Value per Share plus the preliminary charge payable on such contributions, calculated at the next valuation point after the payment is received.

Monthly contributions can be increased, decreased or stopped at any time simply by notifying the ACD in writing, although the ACD reserves the right to decline overly frequent changes in the contribution level. However, if payments are not made to the MSP for more than three consecutive months, and the Net Asset Value of the Shares in the MSP is less than the minimum which the ACD requires (see Appendix A), then the ACD reserves the right to buy back the Shares in that MSP at the price then applicable.

Contract notes are not issued to the MSP holders. Every six months, a statement detailing the Shares purchased since the last statement, the Net Asset Value per Share of those Shares and distributions of income (which are automatically reinvested in the purchase of further Shares) will be sent to all the MSP holders.

4.3.10 Switching Shares

A Shareholder in a Fund may at any time switch all or some of his Shares of one Class or Fund ("the Original Shares") for Shares of another Class or Fund ("the New Shares").

Switching may be effected in writing to the ACD, by completion of the "Switching Form" which can be downloaded from www.jpmorganassetmanagement.co.uk, or, at the ACD's discretion, by telephone to the ACD's dealing department, after which the Shareholder may be required to complete a Switching Form (which, in the case of joint Shareholders must be signed by all the joint holders). Shares may also be switched online following registration by the investor at JPM 'online' www.jpmorganassetmanagement.com.uk.

The ACD may charge a fee on the switching of Shares between Funds. This fee will be quoted as a percentage of the Net Asset Value of the New Shares purchased and the rate will be the same as that of the preliminary charge which would otherwise be payable for the New Shares (see 5.1). A discount on the fee, negotiable by the ACD, normally of up to 3% of the Net Asset Value of the New Shares may be given. There is no fee on a switch between Classes of the same Fund. Valuations for determining the number of New Shares to be issued will take place at the first valuation point in each Class after the switching request is received.

If a switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Class concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares or refuse to effect any switch of the Original Shares. No switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. The general provisions on procedures relating to redemption will apply equally to a switch.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

Please note that a switch of Shares in one Fund for Shares in any other Fund is treated by HM Revenue & Customs as a redemption and sale and therefore will, for persons subject to United Kingdom taxation, be a realisation for the purposes of capital gains taxation.

Please note that cancellation rights will not be given on switches between shareholdings in different Funds.

4.3.11 Money Laundering

As a result of legislation in force in the United Kingdom to prevent money laundering, persons conducting investment business are responsible for compliance with money laundering regulations. In order to implement these procedures, in certain circumstances investors may be asked to provide proof of identity when buying Shares. For this purpose, the ACD may use credit reference agencies (who will record that an enquiry has been made) and/or may check electronic databases. Until satisfactory proof of identity is provided, the ACD reserves the right to refuse to sell or redeem Shares.

4.3.12 Restrictions applying to US Investors

None of the Shares have been or will be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or under the securities laws of any state or political subdivision of the United States of America or any of its territories, possessions or other areas subject to its jurisdiction including the Commonwealth of Puerto Rico (the "United States"). The Fund has not been and will not be registered under the United States Investment Company Act of 1940, as amended, nor under any other U.S. federal laws. Accordingly, except as provided for below, no Shares are being offered to US Persons or persons who are in the United States at the time the Shares are offered or sold. For the purposes of this Prospectus, a US Person includes, but is not limited to, a person (including a partnership, corporation, limited liability company or similar entity) that is a citizen or a resident of the United States of America or is organised or incorporated under the laws of the United States of America. Shares will only be offered to a US Person at the sole discretion of the ACD. Certain restrictions also apply to any subsequent transfer of Shares in the United States or to US Persons (please see the compulsory redemption provisions under section 4.3.13 below). Should a shareholder become a US person they may be subject to US withholding taxes and tax reporting.

"United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and any other areas subject to its jurisdiction.

If you are in any doubt as to your status, you should consult your financial or other professional adviser.

4.3.13 Restrictions and Compulsory Transfer and Redemption

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares in the Company are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection, the ACD may, inter alia, reject in its discretion any application for the purchase, sale or switching of Shares.

If it comes to the notice of the ACD that any Shares ("affected Shares") are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory or by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case, or which would result in the Company incurring any liability to taxation which the Company would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory), the ACD may give notice to the holder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the repurchase of such Shares in accordance with the COLL Sourcebook. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his affected Shares to a person qualified to own them or establish to the satisfaction of the ACD (whose judgement is final and binding) that he or the beneficial owner is qualified and entitled to own the affected Shares, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption of all the affected Shares pursuant to the COLL Sourcebook.

A person who becomes aware that he is holding or owns affected Shares in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, or by virtue of which he is not qualified to hold such affected Shares, shall forthwith, unless he has already received a notice as aforesaid, either transfer all his affected Shares to a person qualified to own them or give a request in writing for the redemption of all his affected Shares pursuant to the COLL Sourcebook.

4.3.14 Suspension of Dealings in the Company

The ACD may, with the prior agreement of the Depositary, or must if the Depositary so requires, temporarily suspend the issue, cancellation, sale and redemption of Shares in a Fund where it is in the interests of all the Shareholders in the Fund. The ACD, or the Depositary if it has required the ACD to suspend dealings in Shares, must notify the FSA, stating the reasons for its action. The ACD will notify Shareholders in the Fund of the suspension as soon as practicable after the suspension commences. This notification will include the reasons for the suspension and details of where Shareholders can obtain information on the suspension including its likely duration, if known. The ACD and the Depositary must formally review the suspension at least every 28 days and inform the FSA of the results of this review and any change to the information provided to Shareholders. The suspension may apply to a single Fund or one or more Classes of Shares within a Fund, provided it is in the interests of all Shareholders in that Fund. Dealing in Shares in the Fund or Class will recommence at the first valuation point after the end of the suspension.

4.3.15 Governing Law

All deals in Shares are governed by English law.

4.4 ACD's Policy on holding Shares

The ACD's policy in relation to holding Shares in the Funds as principal is for administration purposes and does not actively seek to make a profit on the holding.

Part 5: Charges & Expenses

5.1 The ACD's Preliminary and Switching Charges

The ACD may make a preliminary charge on the sale or issue of Shares. The level of the preliminary charge varies for different Classes, and is expressed as a percentage of the Net Asset Value of the Shares being acquired.

The ACD may also make a charge on switches between Shares of one Fund and Shares of another Fund. Again, the level of this charge varies for different Classes, and is expressed as a percentage of the Net Asset Value of the Shares being acquired.

The current preliminary charge for each Class is given in Appendix A. The switching charge for each Class is the same as the preliminary charge for that Class.

The preliminary charge of a Class may be increased 60 days after:

(a) the ACD has given notice in writing to all persons who ought reasonably to be known to the ACD to have made an arrangement for the purchase of Shares of that Class at regular intervals; and

(b) the ACD has revised and published the Prospectus showing the new rate of charge, and its commencement date.

If such an increase is deemed by the ACD and the Depositary to be fundamental, it will require the approval of Shareholders of the relevant Class or Fund in a general meeting.

5.2 The ACD's Redemption Charges

The Instrument of Incorporation of the Company authorises the ACD to make a charge on the redemption of Shares. At present no redemption charge is levied on Shares of any Class.

Any redemption charge introduced will apply only to Shares of that Class sold since its introduction.

5.3 Payments by the Company to the ACD

(a) The ACD is entitled to receive the annual fee for its duties as the ACD of the Company. Investment in the Company is generally offered via a series of charging structures as represented by the A, B, C, I and X share classes. The share Classes are differentiated primarily based on the minimum investment requirement, in case of A, B, C, and I share Classes, or the minimum account maintenance requirements and shareholder's client relationship with the JPMorgan Chase Group, in the case of the X share Classes. The X share Classes are designed to accommodate an alternative charging structure whereby the annual fee normally charged to the Fund and then passed on in the share price is instead administratively levied and collected by the ACD from the shareholder or through the relevant JPMorgan Chase & Co entity.

In respect of the A, B, C and I share classes the annual fee is paid by the Company out of the Scheme Property to the ACD and accrues and is reflected in the price of each Class daily. Payment to the ACD is monthly in arrears.

The level of the annual fee varies for different Classes and is expressed as a percentage per annum of the Net Asset Value of the proportion of the Scheme Property attributed to each Fund or Class, as appropriate.

The current annual fee for each Class is given in Appendix A.

On a winding-up of the Company or a Fund or on the redemption of a Class the ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the Agreement with the ACD.

The current annual fee to the ACD for a Class may be increased 60 days after:

(i) the ACD has given notice in writing to all the Shareholders of that Class; and

(ii) the ACD has revised and published the Prospectus showing the new rate of charge, and its commencement date.

If such an increase is deemed by the ACD and the Depositary to be fundamental, it will require the approval of Shareholders of the relevant Class or Fund in a general meeting.

(b) The ACD is also entitled to be paid by the Company out of the Scheme Property all reasonable, properly vouched, out-of-pocket expenses incurred in the performance of its duties, including set up costs of the Company or a new Fund. For A, B and C Share Classes these expenses form part of the Fixed Expenses in Section 5.4 below. For I Shares, these expenses are not charged on to the Company but borne fully by the ACD.

(c) Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, or a Fund is seeking total returns through a combination of capital growth and income, subject to approval of Shareholders or on 60 days' notice to Shareholders, all or part of the fees of the ACD may be charged against capital instead of against income. While this may increase the amount of income generated it may also constrain capital growth. This will only be done with the approval of the Depositary. At present this does not apply to any of the Funds.

(d) The ACD may not introduce a new category of remuneration for its services payable out of the Scheme Property without the approval of Shareholders in a general meeting the ACD has revised and made available the Prospectus to reflect the introduction and the date of its commencement.

5.4 Fixed Expenses

(a) For A, B, C and X Share Classes:

Ordinary operating expenses incurred by the Company may be paid out of the Scheme Property. However, to protect the Shareholders from fluctuations in these expenses, the ACD has agreed to fix the total amount of these expenses for each Class at the levels given in Appendix A. Fixed expenses will be calculated and accrued daily and deducted monthly, in arrears, from each Share Class. The ACD believes the level of fixed expenses charged to a Share Class may be more or less than the actual operating costs attributable to such Share Class in any given period and as a result more expenses could be recovered from the Share Classes. Therefore, the ACD will continue to bear any excess of the actual operating expenses of the Company above the levels of fixed expenses charged in accordance with the levels given in Appendix A. Conversely, the ACD will be entitled to retain any amount by which the levels of fixed expenses specified in Appendix A exceed the actual operating expenses incurred by the Company. In some instances, Shareholders will get less of the benefit than others from the ACD. The levels of fixed expenses to be borne by each Class will be reviewed in exceptional circumstances and, in any event, annually to ensure that they remain fair to Shareholders. These expenses include (but are not limited to) the following:

(i) Registration fees to the Registrar;

(ii) The fees of the FSA under the Regulations, or any corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares are or may be marketed ;

(iii) Any costs incurred in modifying the Instrument of Incorporation or the Prospectus ;

(iv) Any costs incurred in respect of meetings of the Shareholders (including meetings of Shareholders in any particular Fund or Class) ;

(v) The fees of the Auditors and the tax, legal and other professional advisers to the Company and to the ACD and the Depositary properly payable and any proper expenses of the Auditors, tax, legal and other professional advisers to the Company and to the ACD and the Depositary ;

(vi) The fees of the Depositary. The Depositary is entitled to a fee payable monthly from the Scheme Property for its services as depositary. In addition, where relevant the Depositary may also charge for all costs and expenses properly incurred by the Depositary in the performance of, or arranging the performance of, functions conferred on it as depositary by the Instrument, the COLL Sourcebook and by the general law. This includes its services in relation to distributions or engaging in derivative transactions in relation to the Funds.

(vii) The fees of the Custodian;

(viii) Fees in respect of the publication and circulation of details of the prices and yields of Shares, and other such information which the ACD is required by law to publish;

(ix) The costs of printing and distributing reports, accounts, the Prospectus, and any costs incurred as a result of periodic updates of the Prospectus and any other administrative expenses ;

(x) It is not currently proposed to seek a listing for the Shares on any stock exchange, but if a listing is sought in future, the fees connected with the listing ;

(xi) Insurance which the Company may purchase and/or maintain for the benefit of and against any liability incurred by any directors of the Company in the performance of their duties.

(xii) Collateral management costs incurred in respect of any of the Funds will be included in this category.

These payments will be inclusive of Value Added Tax, where applicable.

(b) For I Share Classes:

All of the above fees are included within the I Share Classes annual management charge.

5.5 Other Expenses Payable out of the Scheme Property

Other expenses incurred by the Company may be paid out of the Scheme Property (the expenses which are mitigated through the application and receipt of a Dilution Adjustment are practically met through the Scheme Property), including (but not limited to):

(a) Broker's commission, fiscal charges and any other disbursements which are necessarily incurred in effecting transactions for the Company. This will include expenses incurred in acquiring and disposing of investments including legal fees and expenses, whether or not the acquisition or disposal is carried out.

(b) Interest on borrowings permitted under the Instrument of Incorporation or the Prospectus and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings.

(c) The costs associated with stock lending transactions or other permitted transactions.

(d) Taxation and duties payable in respect of the Scheme Property including stamp duty, stamp duty reserve tax (SDRT) or foreign transfer taxes on the purchase of investments, the Instrument of Incorporation, the Prospectus or the creation, issue, redemption or cancellation of Shares and any SDRT charged in accordance with Schedule 19 of the Finance Act 1999.

(Any provision for SDRT falls outside the annual management charge for I Shares).

(e) Liabilities under a scheme of arrangement arising where the property of a body corporate or another collective investment scheme is transferred to the Depositary in consideration for the issue of Shares to the shareholders in that body or to participants in that other scheme, provided that any liability arising after the transfer could have been paid out of that other property had it arisen before the transfer and, in the absence of any express provision in the Instrument of Incorporation forbidding such payment, the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the time of transfer.

These payments will be inclusive of Value Added Tax, where applicable.

5.6 Allocation of Charges and Expenses between Funds

All the above fees, duties, and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated daily at the relevant valuation point to all Funds pro rata to the Net Asset Value of the Fund, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

Part 6: Determination & Distribution of Income

The accounting reference date of the Company is 30th November and the half-yearly accounting date is 31st May. Both of the above dates may be moved by up to seven days earlier or later in any particular case if the ACD notifies the Depositary prior to the relevant date. The annual income allocation date is 28th February each year. The annual distribution date will be 28th February unless otherwise shown in the relevant Fund Profile in Appendix A.

Interim income allocation dates (which are the interim distribution dates) for each Fund, if any, are given in Appendix A. Allocations of income are made in respect of the income available for allocation in each distribution period.

Income is paid by direct credit to each Shareholder's bank or building society account when the distribution is paid. Please note that payment of distribution by cheque is not available. An income reinvestment facility is not available.

The ACD may at its option carry out any authentication procedures that it considers appropriate to verify, confirm or clarify shareholder payment instructions relating to dividend payments. This aims to mitigate the risk of error and fraud for the Fund, its agents or Shareholders. Where it has not been possible to complete any authentication procedures to its satisfaction, the Registrar and Transfer Agent may, at its discretion, delay the processing of payment instructions until authentication procedures have been satisfied, to a date later than the envisaged dividend payment date.

If the ACD is not satisfied with any verification or confirmation, it may decline to execute the relevant dividend payment until satisfaction is obtained. Neither the ACD nor the Company shall be held responsible to the Shareholder or anyone if it delays execution or declines to execute dividend payments in these circumstances.

The amount available for income allocations is calculated by:

(a) taking the net revenue after taxation determined in accordance with the current version of the Statement of Recommended Practice for financial statements of authorised funds issued by the Investment Management Association ("IMA SORP");

(b) making any transfers, to the extent permitted in this prospectus, between the income account and the capital account in order that the amount available for income allocations is calculated as if the revenue from debt securities had been determined disregarding the effect of:

  (i) the change in the Retail Prices Index during the period, provided that the policy is to invest predominantly in index-linked securities and the transfer relates only to amounts in respect of index-linked gilt-edged securities; or

  (ii) amortisation, provided that the amount available for income allocations is not less than if such transfers had not been made;

(c) making any other transfers between the income account and the capital account that are required in relation to:

  (i) stock dividends;

  (ii) income equalisation included in income allocations from other collective investment schemes;

  (iii) the allocation of payments in accordance with COLL 6.7.10R (Allocation of payments to income or capital);

  (iv) taxation;

  (v) the aggregate amount of income property included in units issued and units cancelled during the period; and

  (vi) amounts determined by the ACD to be the reportable income of other collective investment schemes.

Income earned in an interim accounting period may not be distributed immediately but retained and used to ensure that distributions paid throughout the year are broadly similar.

Any distribution payment of a Fund which remains unclaimed after a period of six years from the date of payment, will be forfeited and will be transferred to and become part of that Fund's capital property. Thereafter, neither the Shareholder nor any successor will have any right to it except as part of the capital property.

The Company will operate grouping for equalisation. Each Class will operate its own equalisation account. Shares purchased during a distribution period are called Group 2 Shares. Shares purchased during any previous distribution period are called Group 1 Shares. Group 2 Shares contain in their purchase price an amount called equalisation which represents a proportion of the net income of the Fund that has accrued up to the date of purchase. The amount of equalisation is averaged across all the Shareholders of Group 2 Shares and is refunded to them as part of their first distribution and is treated as a return of capital for tax purposes. Being capital it is not liable to income tax but must be deducted from the cost of Shares for capital gains tax purposes.

6.1 Annual Reports

Annual reports of the Company will normally be published on or before 31st March and half-yearly reports will be published on or before 31st July each year. Shareholders will receive copies of short reports on publication and a report containing the full accounts will be available on request.

Part 7: Shareholders' Voting Rights

7.1 General Meetings

The ACD may convene a general meeting at any time.

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

7.2 Notice and Quorum

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

7.3 Voting Rights

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

On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of meeting was sent out.

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

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

The ACD may not be counted in the quorum for a meeting and neither the ACD nor any associate (as defined in the COLL Sourcebook) of the ACD is entitled to vote at any meeting of the Company except in respect of Shares which the ACD or an associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

"Shareholders" in this context means Shareholders on a cut-off date which is a reasonable time before the notice of the relevant meeting is sent out but excludes holders who are known to the ACD not to be Shareholders at the time of the meeting.

7.4 Fund and Class Meetings

The above provisions, unless the context otherwise requires, apply to Fund meetings and Class meetings as they apply to general meetings of Shareholders but by reference to Shares of the Fund or Class concerned and the Shareholders and prices of such Shares.

7.5 Annual General Meeting

The Company has elected not to hold an annual general meeting in each year.

Shareholders may inspect a copy of the ACD Agreement at the registered office of the Company as set out in Part 10.

Part 8: Termination

Winding up of the Company or terminating a Fund of the Company

The Company shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under Chapter 7.3 of the COLL Sourcebook. A Fund may only be wound up under the COLL Sourcebook.

Where the Company is to be wound up or a Fund terminated under the COLL Sourcebook, such winding up or termination may only be commenced following approval by the FSA. The FSA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Company or Fund) either that the Company or Fund will be able to meet its liabilities within 12 months of the date of the statement or that the Company or Fund will be unable to do so. The Company may not be wound up under the COLL Sourcebook if there is a vacancy in the position of the ACD at the relevant time.

The Company may be wound up or a Fund terminated under the COLL Sourcebook if:

(a) an extraordinary resolution to that effect is passed by Shareholders; or

(b) the period (if any) fixed for the duration of the Company or a particular Fund by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Company or a particular Fund is to be wound up (for example, if the share capital of the Company is below its prescribed minimum or (in relation to any Fund) the Net Asset Value of the Fund is less than £5,000,000, or if a change in the laws or regulations of any country means that, in the ACD's opinion, it is desirable to terminate the Fund); or

(c) on the date of effect stated in any agreement by the FSA to a request by the ACD for the winding up of the Company or a request for the termination of the relevant Fund.

On the occurrence of any of the above:

(a) COLL 6.2 (Dealing), COLL 6.3 (Valuation and Pricing) and COLL 5 (Investment and Borrowing Powers) will cease to apply to the Company or the particular Fund;

(b) The Company will cease to issue and cancel Shares in the Company or the particular Fund except in respect of the final cancellation;

(c) The ACD shall cease to sell or redeem Shares or to arrange for the Company to issue or cancel them for the Company or the particular Fund except in respect of the final cancellation;

(d) No transfer of a Share shall be registered and no other change to the Register shall be made without the sanction of the ACD;

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

(f) The corporate status and powers of the Company and, subject to the preceding provisions of (a) to (d) above, the powers of the ACD shall remain until the Company is dissolved.

The ACD shall, as soon as practicable after winding up or termination has commenced, realise the assets and meet the liabilities of the Company or Fund and, after paying out or retaining adequate provision for all liabilities properly payable and retaining provision for the costs of winding up, provided that there are sufficient liquid funds available, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Company or the Fund at the commencement of the winding up or termination. The ACD must instruct the Depositary how the proceeds must be held prior to being utilised to meet liabilities or make distributions to Shareholders with a view to the prudent protection of creditors and Shareholders against loss. If the ACD has not previously notified Shareholders of the proposal to wind up the Company or terminate the Fund, the ACD shall, as soon as practicable after the commencement of winding up of the Company or the termination of the Fund, give written notice of the commencement to Shareholders. When the ACD has caused all the Scheme Property to be realised and all of the liabilities of the Company or the particular Fund to be realised, the ACD shall arrange for all Shares in issue to be cancelled and for the Depositary to make a final distribution to Shareholders on or prior to the date on which the final account is sent to Shareholders of any balance remaining in proportion to their holdings in the Company or the particular Fund.

As soon as is reasonably practicable after the completion of the winding up of the Company or the particular Fund, the ACD shall notify the FSA that it has done so.

On completion of the winding up of the Company, the Company will be dissolved and the ACD shall arrange that any money (including unclaimed distributions) standing to the account of the Company, will be paid by the Depositary into court within one month of dissolution.

Following the completion of a winding up of either the Company or a Fund, the ACD must prepare a final account stating the date on which the termination was completed and showing how the winding up took place and how the Scheme Property was distributed. The auditors of the Company shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. Within four months of the completion of the termination this final account and the auditors' report must be sent to the FSA, and to each person who was a Shareholder immediately before the winding up or termination commenced.

As the Company is an umbrella company, any liabilities attributable or allocated to a particular Fund under the COLL Sourcebook shall be met first out of the Scheme Property attributable or allocated to that particular Fund.

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

Part 9: Taxation

The information below is a general guide based on current United Kingdom law and HM Revenue & Customs practice, both of which are subject to change. It summarises the tax position of the Company and of investors who are United Kingdom resident and hold Shares as investments. Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

9.1 Taxation of the Company

9.1.1 Income

Each Fund is chargeable to corporation tax at the applicable rate, currently 20% on income net of allowable expenses (including the gross amount of interest distributions). Post 1 July 2009, dividends from both UK companies and most overseas companies are not taxable.

9.1.2 Chargeable Gains

Each Fund is exempt from corporation tax on chargeable gains.

9.2 Taxation of the Shareholders

9.2.1 Income

All Funds will pay dividend distributions.

(a) Interest Distributions

Interest distributions will normally be paid subject to deduction of income tax at the 20% rate. UK individual investors liable to income tax at the basic or starting rate will have no further liability to tax. Higher-rate taxpayers will have an additional liability of 20% of the gross distribution. Additional-rate taxpayers will have an additional liability of 30% of the gross distribution. UK non-taxpayers and starting rate taxpayers may be able to reclaim part or all of the 20% income tax deducted from the UK HM Revenue & Customs.

Certain shareholders, including those who hold their shares in an ISA, companies, charities or pension funds, are entitled to interest distributions without deduction of income tax and are eligible for the gross income Shares and gross accumulation Shares subject to the minimum investment limit of the relevant class and any other eligibility requirements of the ACD.

Shareholders who are not ordinarily resident in the UK and have completed and returned to the ACD or the Depositary a valid “Not Ordinarily Resident” declaration may receive some or all of an interest distribution gross. They may also receive some or all of the interest distribution after the deduction of UK income tax at the lower rate, which they may be able to reclaim from the UK HM Revenue & Customs if they are British or Commonwealth citizens or EEA nationals, or if a double tax agreement exists between the UK and their country of residence, and the agreement specifically allows for this.

(b) Dividend Distributions

Dividend distributions will be paid with a 10% tax credit. UK individual investors liable to income tax at the basic rate or starting rate will have no further liability to tax. For individuals, dividends are treated as the highest part of their income. Higher-rate taxpayers will have an additional liability to income tax of 25% of the net dividend. Additional-rate taxpayers will have an additional liability of approximately 36.1% of the net dividend.

Shareholders who are non-resident will generally not be able to reclaim the tax credit attributed to the distribution even if a double tax agreement exists between the UK and their country of residence although it will normally satisfy their UK tax liability on that income. They may also be able to offset the tax credit against their liability to tax in their own country.

Dividend distributions will be streamed into franked, unfranked and foreign income for the Shareholders chargeable to UK corporation tax, according to the underlying gross income of the Fund. The unfranked element will be treated as an annual payment which has been subject to income tax at a rate of 20%, and the Shareholder may therefore be liable to further tax.

It should be noted that UK individuals who are non-taxpayers, starting rate taxpayers or hold their Shares in an ISA and UK pension funds are unable to reclaim the tax credit on dividend distributions.

9.2.2 Capital Gains

Capital gains made by individual Shareholders on disposals from all chargeable sources of investment (which may include switches of investments between different Funds but not different Classes of Share of the same Fund) will be tax-free if they fall within an individual's annual capital gains exemption. For the tax year 2011/2012 the first £10,600 of an individual's chargeable gains (that is after deduction of allowable losses) are exempt from capital gains tax; gains in excess of this amount are taxable at a rate of 18% for basic rate taxpayers and at a rate of 28% for higher and additional rate taxpayers. These rates can no longer be reduced by taper relief, which is abolished for disposals on or after 6th April 2008.

Shareholders chargeable to UK corporation tax must include all chargeable gains realised on the disposal of Shares, less indexation allowance, in their taxable profits.

9.2.3 Loan Relationships

At present, none of the Funds are affected by this legislation.

Legislation in the Finance Act 1996 affects the way shareholders who are chargeable to UK corporation tax will be taxed in respect of gains made on their holdings in Funds which pay interest distributions. This legislation requires that (a) holdings of shares will be marked to market at the company's year end and gains or losses will be taxed or relieved as income, and (b) on disposal, gains or losses since acquisition or the company's last year end day or acquisitions if later will be taxed or relieved as income.

9.2.4 Inheritance Tax

Shareholdings of an individual shareholder may become subject to an inheritance tax liability under the following circumstances. During an individual’s lifetime, any transfer of shareholdings at less than market value may be liable. Additionally, transfer following the death of the individual may also be liable. The charge to inheritance tax is restricted to UK individuals. Reliefs and exemptions may apply to reduce or extinguish any liability to inheritance tax. Investors should seek professional advice if they are unclear on the inheritance tax consequences of investing in any of the Funds.

9.3 Stamp Duty Reserve Tax (SDRT)

An SDRT liability will arise on funds which invest in assets liable to SDRT (e.g. UK shares). On redemptions of shares (redemptions for this purpose includes non-exempt transfers of legal ownership of shares, and switches to shares in another Fund) the ACD is liable for payment of SDRT of up to 0.5% of the value of the shares redeemed. The SDRT payable by a Fund is calculated weekly, based on the total value of shares redeemed during that week and the following week. The 0.5% payable will be reduced by the proportion of the Fund held in assets which are not liable to SDRT, and by the ratio of shares issued divided by shares redeemed in the Fund during that week and following week.

Regulations issued by the FSA permit (but do not oblige) the ACD to require from an incoming or outgoing Shareholder a separate payment, or deduction, of a provision against SDRT ("SDRT provision") when Shares are surrendered or transferred by a Shareholder or issued to an incoming Shareholder. The SDRT provision can be up to 0.5% of the value of the transaction and is a provision against the SDRT owed by the Company. The SDRT provision, if imposed on an incoming Shareholder, would increase the payment required on the purchase of Shares by that Shareholder, and if on an outgoing Shareholder would decrease the redemption proceeds received by that Shareholder, and must be paid to the Company and become part of the property of the Fund in question.

The total SDRT liability on each Fund calculated each month will be paid out of the capital property of the Fund. However, the ACD reserves the right to charge the individual shareholder an SDRT provision of up to 0.5% in the following situations:-

(a) Where a single shareholder or intermediary redeems units worth £15,000 or more from a Fund at any one valuation point (where an intermediary redeems shares, the ACD may charge the individual shareholders covered by the intermediary's instructions).

(b) Where shares are redeemed under the ISA autoswitch facility, i.e. shares held directly in a Fund are redeemed for immediate repurchase within an ISA at the start of a new tax year.

In both of these instances the ACD may deduct a charge of up to 0.5% from the redemption proceeds. This amount will then be paid directly into the Fund to offset any total SDRT liability which may arise. It is possible that the total SDRT liability incurred by the Fund may be less than 0.5%.

The Company is entitled not to register a transfer of Shares in a Fund unless (a) an SDRT provision of 0.5% of the value transferred has been paid to the Company for the account of the Fund in question or (b) the Company has received all documentation required to provide evidence that the transfer is exempt from SDRT. As the value transferred is calculated at the valuation point immediately following the Company's receipt of the instrument of transfer the transferring Shareholder (being either of the transferor or the transferee) will be contacted after this point and advised of the amount of the SDRT provision due, which amount must be paid immediately.

Notwithstanding this, the ACD has the discretion, and reserves the right, to charge to the Fund in question SDRT incurred on third party transfers of Shares in that Fund.

Currently the ACD does not impose an SDRT provision.

Information for Nominees

As the SDRT liability of the Company is reduced by the ratio of Shares issued divided by Shares redeemed in the Fund during that week and the following week, nominee account holders must not set off redemptions and issues of Shares by their underlying account holders.

9.4 General

These statements are based on UK law and the HM Revenue & Customs practice as known at the date of this document. They do not constitute legal or tax advice. Prospective investors should consult their own professional advisors as to the implications of subscribing for, purchasing, holding or switching or disposing of Shares under the laws of the jurisdiction in which they may be subject to tax.

9.5 European Union Tax Considerations

The Council of the European Union adopted on 3 June 2003 a Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. Under the Directive, Member States of the European Union ("Member States") will be required to provide the tax authorities of another Member State with details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States (those being Austria and Luxembourg) to opt instead for a withholding tax system for a transitional period in relation to such payments. Certain other countries, including Switzerland, the Caribbean countries, UK Channel Islands, Isle of Man, Monaco and Lichtenstein, will also be introducing measures equivalent to information reporting or withholding tax. From July 2008 until June 2011 the applicable withholding tax rate was 20%, rising to 35% from 1 July 2011. Any dividends distributed by a Fund will be subject to the directive if more than 15% of the Fund's assets are invested in debt instruments. Proceeds realised by Shareholders on the disposal of Shares will be subject to such reporting or withholding if more than 25% of the Fund's assets are invested in debt instruments. UK resident individual investors who invest via a UK entity and corporate investors will not be subject to the EU Savings Directive on payments of distributions and redemption proceeds to them.

9.6 US Tax Considerations

Under the double tax treaty between the United Kingdom and the United States of America, the withholding tax on dividends paid by US corporations on any US equity investments of the sub-funds of the Company can be reduced to 15% from 30%. The availability of this relief to the Company is dependent on its being over 50% owned by qualifying UK/US persons (though this may be extended to EC, EEA and NAFTA equivalent persons dependent on negotiation with the US Treasury). Given this shareholding test it is possible in certain circumstances that the Company will not be eligible for the reduction in withholding tax. See also Section 4.3.12 – Restrictions applying to US investors.

United States ("US") Tax Withholding and Reporting under the Foreign Account Tax Compliance Act ("FATCA")

Under the FATCA provisions of the US Hiring Incentives to Restore Employment ("HIRE") Act, where the Fund invests directly or indirectly into the US, payments to the Fund of US-source income after December 31, 2013 and the proceeds of sales of US property to the Fund after December 31, 2014 will be subject to 30% withholding tax unless the Fund enters into an agreement with the US Secretary of the Treasury under which the Fund agrees to certain US tax reporting and withholding requirements as regards holdings of and payments to investors in the Fund. However, the form of the agreement has not been provided by the US Government and the US regulations which will set out the detailed rules have not been issued. Any amounts of US tax withheld may not be refundable by the Internal Revenue Service ("IRS"). Potential investors should consult their advisors regarding the application of the withholding rules and the information that may be required to be provided and disclosed to the Fund's Paying Agent and in certain circumstances to the IRS as will be set out in the final FATCA regulations. The application of the withholding rules and the information that may be required to be reported and disclosed are uncertain and subject to change.

Part 10: General Information

10.1 Documents of the Company

Copies of the Instrument of Incorporation and the annual and half-yearly reports and the material contracts referred to below are kept and may be inspected at and obtained from Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. A charge of £10 will be levied for each copy of the Instrument of Incorporation.

10.2 Complaints

If you wish to make a complaint about the operation of the Company you should contact the ACD at the Client Administration Centre, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ or, if you are dissatisfied with the response received direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

10.3 Material Contracts

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

(a) the ACD Agreement, to be dated 16 November 2001, between the Company and the ACD;

(b) the Depositary Agreement, dated 16 November 2001, between the Company and the Depositary;

(c) the Investment Advisory Agreement, dated 16 November 2001, between the ACD and the Investment Adviser;

(d) the Services Agreement, dated 17 July 2008, between the Company, the ACD and the Registrar.

Details of the above contracts are given under the heading "The Service Providers" in part 2.

10.4 Instrument of Incorporation

(a) The Instrument of Incorporation may be amended by resolution of the ACD to the extent permitted by the COLL Sourcebook.

(b) In the event of any conflict arising between any provision of the Instrument of Incorporation and either the OEIC Regulations or the COLL Sourcebook, the Regulations will prevail.

10.5 Indemnity

The Instrument of Incorporation contains provisions indemnifying the Directors, other officers and the Company's auditors against liability in certain circumstances otherwise than in respect of their negligence, default, breach of duty or breach of trust, and indemnifying the Depositary against liability in certain circumstances otherwise than in respect of its failure to exercise due care and diligence.

10.6 Strategy for the exercise of voting rights

The ACD has a strategy for determining when and how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of each Fund. A summary of this strategy is available online at www.jpmorganassetmanagement.co.uk.

10.7 Best Execution

The ACD's best execution policy sets out the basis upon which the Investment Advisor will effect transactions and place orders in relation to the Company whilst complying with its obligations under the FSA Handbook to obtain the best possible result for the Company.

Details of the best execution policy are available online at www.jpmorganassetmanagement.co.uk.

10.8 Inducements

JPMorgan Funds Limited has assessed the fees and commissions that it pays or is paid. All fees and commissions are considered to be within the requirements of the rules on inducements set out in section 2.3 of the FSA Conduct of Business Sourcebook (COBS) and no additional disclosure is required.

Part 11: Risk Warnings

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

11.1 General

11.1.1 Market Risk

The investments of the Funds are subject to market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in a Fund. There is no assurance that the investment objective of any Fund will actually be achieved.

11.1.2 Economic Risk

The overall health of the global economy or that of a country or region can negatively affect the profitability of companies located in that country or region in which investment may be made.

11.1.3 Political Risk

The value of a Fund may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. For example, assets could be compulsorily re-acquired without adequate compensation.

11.1.4 Liquidity Risk

Investments in certain Funds' portfolios may be or become illiquid. This means that, if the need arose, these investments might be difficult to sell and could result in realising less than the value of the investments reflected in the Net Asset Value of the portfolios, which would negatively affect fund performance.

11.1.5 Currency Exchange Rates

All of the Funds are valued in Sterling. Where the underlying assets of a Fund are denominated in currencies other than Sterling and are not hedged back to Sterling, investors will be exposed to the currency risk of fluctuations between Sterling and the currency of the underlying assets.

11.1.6 Past Performance

Past performance is not a reliable indicator of future results. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

11.1.7 Taxation

Tax regulations and concessions are not guaranteed and can change at any time; their implications to a Shareholder will depend on their circumstances.

11.1.8 Effect of Preliminary Charge

Where a preliminary charge is imposed, an investor who sells his Shares after a short period may not receive the amount originally invested, even in the absence of a fall in the value of the relevant investments.

Therefore, investments in the Funds should be viewed as a medium to long term investment.

11.1.9 Suspension of Dealings in Shares

Investors are reminded that in certain circumstances their right to sell Shares may be suspended (see section 4.3.14).

11.1.10 Liabilities of the Company

Each Fund, so far as possible, will be treated as bearing the liabilities, expenses, costs and charges attributable to it. However, if a Fund's assets are not sufficient, the ACD may re-allocate assets, liabilities, expenses, costs and charges between the other Funds of the Company in a manner which is fair to the Shareholders generally. The ACD would normally expect any such re-allocation to be effected on a pro-rata basis having regard to the Net Asset Values of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders in the next succeeding annual or half-yearly report to Shareholders.

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

11.1.11 Stock Lending

Any of the Funds of the Company may participate in stock lending from time to time.

Stock lending involves counterparty risk, including the risk that the loaned securities may not be returned or returned in a timely manner and/or at a loss of rights in the collateral if the borrower or the lending agent defaults or fails financially. This risk is increased when a Fund's loans are concentrated with a single or limited number of borrowers. Should the borrower of securities fail to return securities lent by a Fund, there is a risk that the collateral received may be realised at a value lower than the value of the securities lent out, whether due to inaccurate pricing of the collateral, adverse market movements in the value of the collateral, a deterioration in the credit rating of the issuer of the collateral, or the illiquidity of the market in which the collateral is traded. A Fund may reinvest any cash collateral received from borrowers. There is a risk that the value or return of the reinvested cash collateral may decline below the amount owed to those borrowers, and those losses may exceed the amount earned by the Fund on lending the securities. Delays in the return of securities on loan may restrict the ability of the Fund to meet delivery obligations under security sales or payment obligations arising from redemption requests.

11.2 Equity Investment

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

11.3 Single Country/Market Funds

Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio.

11.4 Smaller Companies

Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies.

11.5 Emerging Markets

Investments in emerging and less developed markets may involve additional risk due to the fact that the legal, judicial, and regulatory infrastructure is still developing which gives rise to potential uncertainty for market participants. Investors should consider whether or not investment in such Funds is either suitable for, or should constitute a substantial part of, their portfolio.

Some of the additional risks of investing in emerging markets are as follows:-

(A) Political and Economic Risks

- Political and economic instability can result in changes to, or reversal of, legal/fiscal/regulatory/market reforms. Assets could be compulsorily acquired without adequate compensation, restrictions imposed on free movement of capital or new taxes or exchange controls imposed.

- Substantial government involvement in, and influence on, the economy may affect the value of securities

- Governments and companies in emerging markets may be more prone to default on their debt which would adversely affect the value of investments in their securities. Even if no default occurs, any perception that such an event is increasingly likely could cause the value of investments to fall substantially.

- High interest and inflation rates can mean that businesses have difficulty in obtaining working capital.

- A country may be heavily dependent on its commodity and natural resource exports and therefore vulnerable to weaknesses in world prices for these products.

(B) Legal Environment

- The legal environment in emerging market countries can often be contradictory and uncertain, particularly in respect of taxation. Judicial independence and political neutrality cannot be guaranteed.

- Companies in emerging markets may not be subject to the same level of government supervision and regulation of securities markets as countries with more advanced frameworks.

- Legislation can be imposed retrospectively and recourse to the legal system may be lengthy and protracted. There is no certainty that investors will be compensated in full or at all for any damage incurred.

(C) Accounting Practices

- The accounting, auditing and financial reporting system may not accord with international standards and reports brought into line with international standards may not always contain correct information.

- Obligations on companies to publish financial information may also be limited.

(D) Shareholder Risk

- Existing legislation may not yet be adequately developed to protect the rights of minority shareholders and there is generally no concept of any fiduciary duty to shareholders on the part of management.

- Liability for violation of shareholder rights, if any, may be limited.

(E) Market and Settlement Risks

- Restrictions on foreign investment in emerging markets may preclude investment in certain securities by certain Funds and, as a result, limit investment opportunities for such Funds

- Lack of liquidity and efficiency in certain of the stock markets or foreign exchange markets in certain emerging markets may mean that from time to time an investor may experience more difficulty in purchasing or selling holdings of securities and in currency repatriation than would be the case in a more developed market.

- Certain emerging markets may not afford the same level of investor protection as would apply in more developed jurisdictions.

- The absence of reliable pricing may make it difficult to accurately assess the market value of assets.

- Settlement procedures may be less developed and still be in physical as well as in dematerialised form. Investment may carry risks associated with failed or delayed settlement.

- Registration of securities may be subject to delay and it may be difficult to prove beneficial ownership of securities during the period of delay. The share register may not be properly maintained and ownership or interest may not be (or remain) fully protected.

- The concepts of legal ownership and beneficial ownership are only just beginning to develop in some markets. Courts in such markets could decide that a beneficial owner has no rights in respect of securities registered in a nominee name or in the name of a custodian.

- The provision for custody of assets may be less developed than in more mature markets.

(F) Currency Risk

- Conversion into foreign currency or transfer from some markets of proceeds received for the sale of securities cannot be guaranteed.

- Exchange rate fluctuations may occur between the trade date of a transaction and the date on which the currency is acquired to meet settlement obligations.

(G) Taxation

- Proceeds from sales of securities and receipt of dividends and other income may be, or become, subject to tax, levies, duties or other fees imposed by the authorities of an emerging market. Some taxation may be levied by withholding at source.

- Tax law in certain countries may not be clearly established and current interpretation or understanding of practice may change. Tax law may be changed with retrospective effect which might result in unanticipated additional taxation.

(H) Counterparty Risk

- In some markets there may be no secure method of 'delivery versus payment' to minimise exposure to counterparty risk. It may be necessary to make payment for a purchase prior to receipt of the securities or delivery for a sale before receipt of sale proceeds.

11.6 Derivatives and Forward Transactions

11.6.1 Derivatives and Forward Transactions for investment purposes

Where the investment policy of a Fund permits the use of derivatives and/or forward transactions for investment purposes, the Fund may be leveraged, potentially increasing the volatility and risk of the Fund. Investment in derivatives and forwards may result in losses to a Fund in excess of the amount invested.

11.6.2 Volatility

When undertaking derivative and forward transactions, the low margin deposits normally required may lead to a high degree of leverage, which may also lead to greater fluctuations in the price of a Fund.

11.6.3 Risk of Credit Derivatives

The behaviour of credit derivatives can be different from the equivalent cash securities. Their prices may fluctuate more and the markets could be less liquid which could entail greater risk.

11.6.4 Particular Risks of Exchange Traded Derivative Transactions

11.6.4.1 Suspensions of Trading

Each securities exchange or derivatives market typically has the right to suspend or limit trading in all securities or derivatives which it lists. Such a suspension would render it impossible for a Fund to liquidate positions and, accordingly, expose a Fund to losses and delays in its ability to redeem Shares.

11.6.5 Particular Risks of OTC Derivative Transactions

11.6.5.1 Absence of regulation; counterparty default

In general, there is less governmental regulation and supervision of transactions in the OTC markets (in which, for example, forward, spot and option contracts on currencies, credit default swaps and total return swaps are generally traded) than of transactions entered into on organised exchanges. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, may not be available in connection with OTC transactions. Therefore, any Fund entering into OTC transactions will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that a Fund will sustain losses. A Fund will only enter into transactions with counterparties which it believes to be creditworthy, and may reduce the exposure incurred in connection with such transactions through the receipt of letters of credit or collateral from certain counterparties. Regardless of the measures a Fund may seek to implement to reduce counterparty credit risk, however, there can be no assurance that a counterparty will not default or that a Fund will not sustain losses as a result.

11.6.5.2 Necessity for counterparty relationships

As noted above, participants in the OTC market typically enter into transactions only with those counterparties which they believe to be sufficiently creditworthy, unless the counterparty provides margin, collateral, letters of credit or other credit enhancements. A Fund may enter into transactions on the basis of credit facilities established on behalf of any company within JPMorgan Chase & Co. While a Fund and its investment manager may believe that they will be able to establish multiple counterparty business relationships to permit the Fund to effect transactions in the OTC market and other counterparty markets (including credit default swaps, total return swaps and other swaps market as applicable), there can be no assurance that it will be able to do so. An inability to establish or maintain such relationships would potentially increase the Fund's counterparty credit risk, limit its operations and could require the Fund to cease investment operations or conduct a substantial portion of such operations in the futures markets. Moreover, the counterparties with which a Fund expects to establish such relationships will not be obligated to maintain the credit lines extended to the Fund, and such counterparties could decide to reduce or terminate such credit lines at their discretion.

11.6.5.3 Counterparty ceasing to trade in certain instruments

From time to time, the counterparties with which a Fund effects transactions might cease making markets or quoting prices in certain of the instruments. In such instances, the Fund might be unable to enter into a desired transaction in currencies, credit default swaps or total return swaps or to enter into an offsetting transaction with respect to an open position, which might adversely affect its performance.

11.7 Aggressive Management

A fund that is described as aggressively managed may take larger active positions relative to its benchmark when compared to a core fund, which will more closely follow its benchmark, and at times may have a significant exposure to certain areas of the market such as smaller companies or a specific sector. This may lead to higher volatility of the fund's performance and bigger differences between the performance of the fund and its benchmark when compared to core funds.

Further information about the risks and related matters for individual funds can be found in Appendix A.

Appendix A: Fund Details*

Name	JPM Europe Smaller Companies Fund
Investment objective and policy	To provide long-term capital growth by investing primarily in European smaller companies.
Risk profile	This smaller companies fund may include exposure to emerging European markets. • Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds. • Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies. • This Fund is aggressively managed, which may result in higher volatility of the Fund's performance. • The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets. Please refer to Part 11 of this Prospectus for details of the general risk factors affecting this Fund in addition to the specific risk factors above.
Profile of the typical investor	• Investors in this Fund should be comfortable with its potential to be more volatile than core, large-cap biased equity funds and also be comfortable with exposure to emerging European markets. • The typical smaller-companies investor will be fully diversified and have an investment horizon of at least five years.
Annual income distribution date	28th February
Interim income distribution date(s)	None
ISA status	Qualifying investment for stocks and shares ISA
Share Class	A Shares
Type of Shares	Net income and net accumulation
Preliminary charge	Current: 4.25%
Annual fee of ACD	Current: 1.50%
Fixed Expenses**	0.18%

Investment minima

	Net income	Net accumulation
Lump sum	£1,000	£1,000
Holding	£1,000	£1,000
Top-up	£100	£100
Monthly savings	£100 per month	£100 per month
Redemptions	£100	£100

Share Class	B Shares
Type of Shares	Net income and net accumulation[1]
Preliminary charge	Current: Nil
Annual fee of ACD	Current: 1.00%

Fixed Expenses**	0.15% p.a.		
Investment minima		**Net income**	**Net accumulation**
	Lump sum	£1,000,000	£1,000,000
	Holding	£1,000,000	£1,000,000
	Top-up	£100,000	£100,000
	Redemptions	£25,000	£25,000
Share Class	I Shares		
Type of Shares	Net accumulation		
Preliminary charge	Current: Nil		
Annual fee of ACD	Current: 1.00%		
	Please see section 5 for a list of fees and expenses borne by the ACD in respect of the class I Shares (not charged to the Company).		
Investment minima		**Net accumulation**	
	Lump sum	£20,000,000	
	Holding	£20,000,000	
	Top-up	£100,000	
	Redemption	£25,000	

[1] The net income and net accumulation B share classes will be made available in the future. Please contact the ACD for further details.

* To view full fund details please refer to the OEIC range at www.jpmorganassetmanagement.co.uk or alternatively call the JPMorgan Asset Management OEIC helpline on 0800 20 40 20.

** Other expenses such as broker's commission, interest on borrowing, stamp duties and transfer taxes may also be charged to the Fund – see section 5.5

Name	JPM UK Smaller Companies Fund		
Investment objective and policy	To provide long-term capital growth by investing primarily in UK smaller companies.		
Risk profile	• Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds. • Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies. • Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio. Please refer to Part 11 of this Prospectus for details of the general risk factors affecting this Fund in addition to the specific risk factors above.		
Profile of the typical investor	• Investors in this primarily single country Fund should be comfortable with its potential to be more volatile than core, large-cap biased equity funds. • The typical smaller-companies investor will be fully diversified and have an investment horizon of at least five years.		
Annual income distribution date	28th February		
Interim income distribution date(s)	None		
ISA status	Qualifying investment for stocks and shares ISA		
Share Class	A Shares		
Type of Shares	Net income and net accumulation		
Preliminary charge	Current:	4.25%	
Annual fee of ACD	Current:	1.50%	
Fixed Expenses*	0.18%		
Investment minima		Net income	Net accumulation
	Lump sum	£1,000	£1,000
	Holding	£1,000	£1,000
	Top-up	£100	£100
	Monthly savings	£100 per month	£100 per month
	Redemptions	£100	£100
Share Class	B Shares		
Type of Shares	Net income and net accumulation[1]		
Preliminary charge	Current: Nil		
Annual fee of ACD	Current: 1.00%		
Fixed Expenses*	0.15% p.a.		
Investment minima		Net income	Net accumulation
	Lump sum	£1,000,000	£1,000,000
	Holding	£1,000,000	£1,000,000
	Top-up	£100,000	£100,000
	Redemption	£25,000	£25,000
Share Class	I Shares		

Type of Shares	Net accumulation	
Preliminary charge	Current:	Nil
Annual fee of ACD	Current:	0.60%
	Please see section 5 for a list of fees and expenses borne by the ACD in respect of the class I Shares (not charged to the Company).	
Investment minima		**Net Accumulation**
	Lump sum	£20,000,000
	Holding	£20,000,000
	Top-up	£100,000
	Redemptions	£25,000
Share Class	X Shares	
Type of Shares	Net income	
Preliminary charge	As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co entity	
Annual fee of ACD	As agreed from time to time between the Company, the ACD and the relevant JPMorgan Chase & Co entity	
Fixed Expenses*	0.06% p.a.	
Investment minima	As agreed from time to time between the ACD and the relevant JPMorgan Chase & Co entity	

[1] The net income and net accumulation B share classes will be made available in the future. Please contact the ACD for further details.

* Other expenses such as broker's commission, interest on borrowing, stamp duties and transfer taxes may also be charged to the Fund - see section 5.5.

Name	JPM US Smaller Companies Fund		
Investment objective and policy	To provide long-term capital growth by investing primarily in US smaller companies.		
Risk profile	• Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds. • Smaller companies' securities may be less liquid than the securities of larger companies as a result of inadequate trading volume or restrictions on trading. Smaller companies may possess greater potential for growth, but can also involve greater risks, such as limited product lines and markets, and financial or managerial resources. Trading in such securities may be subject to more abrupt price movements and greater fluctuations in available liquidity than trading in the securities of larger companies. • Funds that invest predominantly in a single market, asset class or sector may be subject to greater volatility than those funds with a more diversified portfolio. • The underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets. Please refer to Part 11 of this Prospectus for details of the general risk factors affecting this Fund in addition to the specific risk factors above.		
Profile of the typical investor	• Investors in this primarily single country Fund should be comfortable with its potential to be more volatile than core, large-cap biased equity funds. • The typical smaller-companies investor will be fully diversified and have an investment horizon of at least five years.		
Annual income distribution date	28th February		
Interim income distribution date(s)	None		
ISA status	Qualifying investment for stocks and shares ISA		
Share Class	A Shares		
Type of Shares	Net income and net accumulation		
Preliminary charge	Current:	4.25%	
Annual fee of ACD	Current:	1.50%	
Fixed expenses*	0.18%		
Investment minima		**Net income**	**Net accumulation**
	Lump sum	£1,000	£1,000
	Holding	£1,000	£1,000
	Top-up	£100	£100
	Monthly savings	£100 per month	£100 per month
	Redemptions	£100	£100
Share Class	B Shares		
Type of Shares	Net income and net accumulation[1]		
Preliminary charge	Current: Nil		
Annual fee of ACD	Current: 1.00%		
Fixed Expenses*	0.15% p.a.		

Investment minima		**Net income**	**Net accumulation**
	Lump sum	£1,000,000	£1,000,000
	Holding	£1,000,000	£1,000,000
	Top-up	£100,000	£100,000
	Redemption	£25,000	£25,000
Share Class	I Shares		
Type of Shares	Net accumulation		
Preliminary charge	Current:	Nil	
Annual fee of ACD	Current:	1.00%	
	Please see section 5 for a list of fees and expenses borne by the ACD in respect of the class I Shares (not charged to the Company).		
Investment minima		**Net accumulation**	
	Lump sum	£20,000,000	
	Holding	£20,000,000	
	Top-up	£100,000	
	Redemption	£25,000	

[1] The net income and net accumulation B share classes will be made available in the future. Please contact the ACD for further details.

* Other expenses such as broker's commission, interest on borrowing, stamp duties and transfer taxes may also be charged to the Fund - see section 5.5.

Appendix B: Fund Performance Data

Fund/Share Class Name Data as at 31/05/2011	2011/2010 (%)	2010/2009 (%)	2009/2008 (%)	2008/2007 (%)	2007/2006 (%)
JPM Europe Smaller Companies Fund A Acc	31.52	28.66	-37.11	-9.75	37.83
JPM UK Smaller Companies Fund A Acc	40.43	27.92	-32.42	-23.70	34.04
JPM US Smaller Companies Fund A Acc	20.17	54.84	-19.33	-8.79	11.16

- The historical performance is based on the quoted prices with income reinvested, net of tax and charges.
- Figures show annual performance.
- Past performance is not a guide to future returns. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested.

Appendix C: Approved Securities

An Approved Security is a transferable security which is:

(a) admitted to the official listing in an EEA State; or

(b) traded on or under the rules of an Eligible Securities Market (otherwise than by specific permission of the market authority).

An Eligible Securities Market is:

(a) a securities market established in an EEA State on which transferable securities admitted to the official listing in that country are dealt in or traded; or

(b) depending on individual Funds, one of the securities markets listed in Appendix D.

New Eligible Securities Markets for a Fund may be added to the existing list if:

(a) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property; and

(b) the Depositary has taken reasonable care to determine that:

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

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

Appendix D: Additional Eligible Securities Markets

For each Fund, an Eligible Securities Market is any of the following markets:

Australia - The Australian Securities Exchange (ASX Limited)

Bahrain - Bahrain Stock Exchange

Bangladesh - Dhaka Stock Exchange

Brazil - BM&F BOVESPA

Canada - the over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada

Canada - Toronto Stock Exchange (TMX Group)

Canada - TSX Venture Exchange (TMX Group

Chile - Santiago Stock Exchange

China - Shanghai Stock Exchange

China - Shenzhen Stock Exchange

Croatia - Zagreb Stock Exchange

Egypt - Egyptian Exchange

Hong Kong - The Hong Kong Exchanges and Clearing Ltd

International Capital Market Association

India - The National Stock Exchange of India

India - The Bombay Stock Exchange

Indonesia - Indonesia Stock Exchange

Israel - The Tel Aviv Stock Exchange

Japan - Nagoya Stock Exchange

Japan - NSE Centrex

Japan - The Osaka Securities Exchange

Japan - JASDAQ Securities Exchange

Japan - The Tokyo Stock Exchange

Japan - TSE Mothers

Jordan - Amman Stock Exchange

Korea - Korea Exchange Incorporated

Kuwait - Kuwait Stock Exchange

Malaysia - Bursa Malaysia

Mexico - The Mexican Stock Exchange

Morocco - Casablanca Stock Exchange

New Zealand - The New Zealand Stock Exchange

Oman - Muscat Securities Market

Pakistan - Karachi Stock Exchange

Peru - Lima Stock Exchange

Philippines - The Philippine Stock Exchange, Inc

Qatar - Doha Securities Market

Russia - Moscow Interbank Currency Exchange (MICEX)

Russia - Russian Trading System (RTS)

Singapore - Catalist (the second tier on the Singapore Stock Exchange)

Singapore - The Singapore Exchange

South Africa - JSE Securities Exchange

Sri Lanka - Colombo Stock Exchange

Switzerland – SIX Swiss Exchange
Taiwan – Gre Tai Securities Market
Taiwan – Taiwan Stock Exchange
Thailand – The Stock Exchange of Thailand
Turkey – Istanbul Stock Exchange
United Arab Emirates – Abu Dhabi
United Arab Emirates – Dubai Financial Market
United Arab Emirates – NASDAQ Dubai
USA – NASDAQ (and PORTAL)
USA – NYSE Euronext (NYX)
USA – the OTC market in US government securities conducted by primary dealers selected by the Federal Reserve Bank of New York
USA – The New York Stock Exchange
USA – The OTC Bulletin Board Market operated by NASD
USA – The New York Stock Exchange Arca
USA – NASDAQ OMX PHLX

Appendix E: Eligible Derivatives Markets

For each Fund, an Eligible Derivatives Market is any of the following markets:

Australia - The Australian Securities Exchange (ASX Limited)
Austria - Vienna Stock Exchange
Belgium - Euronext Brussels
Brazil - BM&F BOVESPA
Canada - The Montreal Exchange (TMX Group)
Denmark - NASDAQ OMX Copenhagen
Europe - ICE Futures Europe
Finland - NASDAQ OMX Helsinki
France - Euronext Paris
Germany - Eurex Germany
Greece - Athens Derivatives Exchange (ADEX)
Hong Kong - The Hong Kong Exchanges and Clearing Ltd
India - The National Stock Exchange of India
India - The Bombay Stock Exchange
Ireland - Irish Stock Exchange
Italy - IDEM
Japan - The Osaka Securities Exchange
Japan - The Tokyo Stock Exchange
Japan - Tokyo Financial Exchange
Korea - Korea Exchange Incorporated
Malaysia - Bursa Malaysia Derivatives Berhad (BMD)
Mexico - Mexican Derivatives Exchange
Netherlands - Euronext Amsterdam
New Zealand - New Zealand Futures and Options Exchange
Poland - Warsaw Stock Exchange
Portugal - Euronext Lisbon
Singapore - The Singapore Exchange
South Africa - JSE Securities Exchange
South Africa - South Africa Futures Exchange
Spain - BME, Spanish Exchanges
Sweden - NASDAQ OMX Stockholm
Switzerland - EUREX (Zurich)
Taiwan - Taiwan Futures Exchange
Thailand - Thailand Futures Exchange (TFEX)
Turkey - Turkish Derivatives Exchange (TurkDEX)
United Kingdom - Euronext LIFFE
United Kingdom - NASDAQ OMX London
USA - Chicago Board Options Exchange
USA - CME Group
USA - ICE Futures US Inc.
USA - Kansas City Board of Trade
USA - NYSE Euronext (NYX)
USA - The New York Stock Exchange Arca
USA - NASDAQ OMX PHLX

New Eligible Derivatives Markets for a Fund may be added to the existing list if:

(a) the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property; and

(b) the Depositary has taken reasonable care to determine that:

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

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

Appendix F: Regulated collective investment schemes managed by the ACD

JPMorgan Funds Limited also acts as authorised corporate director of the open-ended investment companies listed below:

JP Morgan Fund ICVC
JP Morgan Fund III ICVC

J.P. Morgan Asset Management
Client Administration Centre

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone 0800 20 40 20

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