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COLONIAL

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# Investment Brochure

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## 1 Introduction

In today's climate the more discerning investor demands more in terms of investment options and flexibility when deciding where to invest their funds.

The London & Colonial Offshore Open Bond gives you the flexibility to invest in a wide range of assets to suit your circumstances.

The following pages set out in more detail the areas that you can invest in and how you can manage your investments.

## 2 Bond Investments

You have the ability to select certain investments in relation to your Bond. The investments that are allowable include:

- 1 Unit trusts;
- 2 Investment trusts;
- 3 Open-ended investment companies (OEICs);
- 4 Cash held with an appropriately regulated financial institution acceptable to us.
- 5 Internal linked funds – see Section 3

Please note that the investments listed in 1-3 above must comply with the provisions of the EU Directive on UCITS (Undertakings in Collective Investments and Transferable Securities).

### Important notes

The range of permitted investments may change from time to time.

We may decline a request to purchase an investment, even if it is within the permitted categories, if we consider it contrary to the spirit or the letter of any relevant regulations or if it carries an overly onerous administrative burden on us.

Any of the permitted investments listed above may at some future point subsequently cease to be permitted. This might, for instance, be because a unit trust that was previously authorised has its authorisation removed. If this happens the asset must be sold within a reasonable time period.



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Regulation and compensation arrangements in the event of investment or custodian failure are not the same in all jurisdictions and we cannot advise on these matters or on the merits of any other features of the investments that you choose. Please see our “Investor Protection” leaflet for further information on the protections available.

### **3. Internal linked funds**

In addition to the allowable investments mentioned above, you may choose to have your Bond linked to units in one or more of the funds that we maintain for this purpose. These funds may be invested directly in equities and individual classes of unit may be created within each fund, such that each class of unit relates directly to one particular equity holding within an overall fund.

#### **The FTSE 100 fund**

London and Colonial has established a fund, called the FTSE 100 fund. This fund is split into different classes of unit, each class representing the shares of a company that makes up the FTSE100 index.

The bid and offer prices for each class of unit are equivalent to the published bid and offer prices for the corresponding share.

You may switch between classes of unit. Units will be sold and the net proceeds (after dealing costs) will be used to purchase units in your selected class of unit. Please note that transaction charges will be deducted from your cash account.

All units are distributive. This means that cash corresponding to dividends received from the underlying shares will be credited to your separate cash account.

Corporate actions will be dealt with as we decide from time to time; in the event of a rights issue we shall offer you the opportunity to purchase units on terms corresponding to the rights issue.

When a share ceases to be included in the FTSE 100 index we shall make a decision as to whether we retain the existing unit class corresponding to that share in our FTSE 100 fund or in another fund or whether that class of unit be cancelled. Normally holdings in such a class may be retained although new allocations will not be available.

#### **Personal Portfolio Bonds**

The Personal Portfolio Bond (PPB) legislation is an anti-avoidance measure which imposes a yearly charge to tax on the owners of life assurance policies



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in circumstances where the property that determines the benefits is able to be selected by the policyholder.

The Offshore Open Bond has been developed with the intention that it falls outside the scope of these regulations. We achieve this by ensuring that the Offshore Open Bond invests solely in our internal linked funds. As these funds invest only in assets permitted by our regulator then it is our view that the bond is not classed as a personal portfolio bond, however, you should take your own legal advice in this matter if you have any doubts as to your tax position.

## **4 Appointing Investment Managers**

This section sets out who can carry out the investment management function and also describes the procedures for making investments.

### **a) Investment decisions**

You may make all the investment decisions in relation to your Bond. If so you simply need to complete our Investment Instruction form whenever you wish a transaction to take place. On receipt of the completed form we will arrange for the nominated asset(s) to be purchased or sold in accordance with your instructions.

Please note that London & Colonial does not give advice in relation to the buying or selling of investments in relation to the Bond.

### **b) Investment manager**

As an alternative to carrying out the investment management of the Bond yourself you may appoint a third party to carry out this role on a discretionary, advisory or execution-only basis. You may do this either at the same time that you apply for the Bond or at a later date.

Please note that any investment manager you nominate must be appropriately authorised by the Financial Services Authority.



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### c) The Investment Manager's Agreement

The investment manager you nominate will normally require the completion of a corporate Investment Management Agreement. You should complete the relevant parts of the document relating to the investment strategy taking into account the list of permitted investments set out in Section 2. Where your nominated investment manager does not have their own corporate Investment Management Agreement we will require our own version to be completed. Please contact us for further details.

You should then send the document to us. Subject to agreeing procedures with the Investment Manager and completing certain formalities we will sign the relevant documentation to bring the arrangement into effect.

Most investment managers have similar requirements but in some circumstances we may need to obtain additional documents and approval from our Board of Directors.

### d) Selection of a Custodian

All assets must be held by an authorised Custodian. You or your nominated investment manager will advise us of where the underlying assets are to be held and provide details accordingly. This choice will be subject to approval by us.

### e) Permitted investments

Where an investment manager is appointed it is their responsibility to satisfy themselves that the proposed investments are within the permitted range. If there is any doubt about the acceptability of the nature of the investment then the investment manager must seek our prior approval before proceeding.

### f) Investment process

When all the necessary agreements are in place any cleared funds (after the deduction of any fees or charges due) will be available for investment. Where an investment manager has been appointed we will send funds to the investment manager.

Where funds are not held with an investment manager they will be held in cash with our nominated bank until we receive an instruction from you or your financial adviser.



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### g) Fund requests

From time to time we will need to request that funds are withdrawn from investments held to enable payment of withdrawals and any associated bond charges. We will give 4 weeks notice to disinvest the funds where practicable.

You or your investment manager will confirm which funds should be disinvested to provide the appropriate liquidity.

If funds are held with an investment manager they will be able to control the exact timing for the disinvestment provided the funds are remitted to us within the required timescales.

Please note that we can pay requested one off or regular withdrawals only if funds are available in the bank account. Please ensure that you allow sufficient time to transfer funds in order that we can pay any withdrawal due.

## 5 Transfers of existing assets

If you personally own investments it may be possible for you to transfer them into the Bond. This is known as an “in specie payment”. By making an in specie payment you are giving up direct ownership of your assets. However, your bond value will be calculated by reference to the value of these assets.

### Advantages

There are two advantages in making in specie payments:

1. the buying and selling costs are reduced; and
2. you will not be out of the market during this process

### The Process

In order to proceed with an in specie payment you will need to notify us that you wish to make an in specie payment and provide us with a list of the relevant assets. You can do this either by letter or by completing a Investment Instruction form which can be found on our website.

Once we have the list of assets to be transferred we will check and confirm which assets may be passed to us in specie and any that may not.



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The process for transferring assets in specie depends on the actual asset. For shares held electronically a Crest transfer form would normally be completed. For certificated shares or collectives a stock transfer form is needed. Both of these forms can be obtained from a stockbroker or via the internet.

Shares & investment trusts will be transferred at the mid market price. Unit trusts and OEICs will be transferred at their selling price. The date of the transaction will be the date that the transfer of the asset is complete.

Please note that once you have instructed us to transfer an asset you must not carry out any further transactions in relation to these assets until we have advised you that the transfer has been completed.

### Tax

Please note that the transfer of shares or collectives into the Bond is classed as a disposal for Capital Gains Tax purposes. A CGT liability will therefore arise if the market value of the asset transferred is greater than the original purchase price. The annual CGT allowance, if it hasn't yet been used, can be used to reduce the amount of tax payable.

Please note that the transfer of assets from you to London & Colonial is not exempt from stamp duty and the standard rate is still chargeable.

## 6 Enquiries

If you have any queries or require any further information please contact a member of the Investment Team at this address:

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Haywards Heath  
West Sussex  
RH16 3DN

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