



TU Fund Managers

Simplified Prospectus

as at 1 May 2009

No one cares more



Helping you decide

Things you should know before you invest

Incorporating the Key Features and Terms & Conditions of TU unit trusts and the TU ISA

The contents of this document are based on our understanding of current law and practice as at 1 May 2009

What is the purpose of this document?

To give you a summary of information to help you decide if you want to invest in our unit trusts.

This document is divided into 11 sections:

- 1 WHO ARE OUR INVESTMENTS SUITABLE FOR?**
- 2 WHAT ARE THE AIMS OF THE TRUSTS?**
- 3 WHAT ARE THE RISKS?**
- 4 WHAT ARE THE CHARGES AND EXPENSES?**
- 5 HOW WILL THE CHARGES AND EXPENSES AFFECT WHAT I GET BACK?**
- 6 HOW MUCH CAN I INVEST?**
- 7 WILL I RECEIVE INCOME ON A REGULAR BASIS?**
- 8 HOW WILL TAX AFFECT MY INVESTMENT?**
- 9 HOW DO I INVEST?**
- 10 ADDITIONAL INVESTOR INFORMATION**
- 11 HOW HAVE THE TRUSTS PERFORMED IN THE LAST 10 YEARS?**

Please take time to read this document carefully before investing.

For more detailed information, or to obtain a copy of the Full Prospectus, please contact us on **0800 279 0887**, between 9am and 5pm.

Please note that we are not able to provide advice and therefore cannot assess the suitability or appropriateness of investments held for you or other services provided to you by TU Fund Managers. This means you do not benefit from the rules of the Financial Services Authority on assessing suitability or appropriateness. If you are in any doubt about the suitability of investments or services you may acquire through TU Fund Managers, we recommend you consult an authorised financial adviser.

1 WHO ARE OUR INVESTMENTS SUITABLE FOR?

- Our unit trusts are suitable for someone who is prepared to risk their money on the stockmarket and who is prepared to save over the medium to long term (5 years or more).
- They are medium risk funds aiming to provide capital growth and a small income.
- They are not suitable for someone who is not prepared to take any risk with their capital or is likely to want to sell their investment within 5 years.

If you are unsure whether an investment is suitable for your needs, we would recommend that you contact your financial adviser for personal advice. TU Fund Managers Limited does not offer advice.

2 WHAT ARE THE AIMS OF THE TRUSTS?

Each of the trusts has its own individual aim which is set out below:-

TU British Trust:-

- Aims to provide a combination of long term capital growth, together with a reasonable income.
- Investments will be made in British commercial companies and industrial companies and may be made in units in other collective investment schemes.
- Launch date: July 1961
- Constituted in the UK
- Benchmark: FTSE All Share Index

TU European Trust:-

- Aims to provide investors with capital growth over the medium term through investment in large and medium sized companies quoted on European stockmarkets, including the UK.
- We aim to avoid unduly high levels of cash within the trusts, however we do have the power to increase liquidity in the light of market conditions should it be considered prudent.
- Launch date: November 1993
- Constituted in the UK
- Benchmark: FTSE Europe (incl. UK) Index

3 WHAT ARE THE RISKS?

There are risks which should always be taken into consideration before making any investment decision. If you are unsure, you should seek advice from a professional financial adviser.

The following risks apply to all stock market investment:-

- The value of investments and the income from them may go down as well as up. You may therefore not get back the amount you originally invest.
- Past performance is not a guide to future performance. The performance of our trusts is not guaranteed.

- External factors can cause an entire asset class to decline in value. Prices and values of all shares or all bonds could decline at the same time. This is called a market risk.
- Inflation will reduce the value of your investments in real terms. If the returns on your investment do not exceed the rate of inflation it will have less buying power in the future.
- If you cancel your investment within the 14 days allowed you may get back less than you have paid in.
- Tax rules can change.
- The favourable tax treatment of ISAs may not be maintained.

The following specific risk applies to the TU European Trust which is allowed to invest in securities denominated in currencies other than sterling.

- Changes in the rates of exchange will cause the value of overseas investments to rise or fall.

For a more detailed explanation of the risks please see the Full Prospectus.

4 WHAT ARE THE CHARGES AND EXPENSES?

The cost of investing in TU unit trusts is exactly the same whether you invest directly into our unit trusts or use an ISA wrapper. There are no additional charges within the ISA.

The table below will help you to compare the trusts. An explanation of the different charges and expenses then follows below.

Charges & Expenses Table

| | British | Europe |
|-------------------------|---------|--------|
| Initial Charge | 5.0% | 4.0% |
| Annual Charge | 1.0% | 0.875% |
| Additional Expenses | 0.15% | 0.16% |
| Total Expense Ratio | 1.05% | 1.06% |
| Portfolio Turnover Rate | 117% | 213% |

Initial Charge

This is a percentage of your initial investment.

Switching Fee

If you are switching between trusts rather than making a new investment, you will normally pay the initial charge less 2%.

Bid-Offer Spread

The offer price is the price you pay for the units in a unit trust. It is higher than the price you can sell them for (the bid price). The bid-offer spread is the difference between the buying and selling price. The spread will change on a daily basis, but is normally restricted to the amount of the initial charge.

Annual Charge

The Annual management charge pays for investment management and administration. It is deducted from the income produced by the Trust.

Additional Expenses

Certain additional costs are charged directly to the Trusts. These include the Trustee's fees (including transaction and safe custody charges, registration fees and sundry expenses), audit fees and other expenses permitted by the regulations. The costs are deducted from the income of the Trust. In future years these expenses may be higher or lower.

Total Expense Ratio

The total expense ratio (TER) shows the annual operating expenses of the trust - it does not include dealing expenses. The TER is the accepted standard for the comparison of these costs.

Portfolio Turnover Rate

PTR shows the portion of the trust that changed during the last accounting year through the trust buying and selling assets. The more stocks and shares the trust has bought the higher the portfolio turnover rate. This can result in higher costs for the trust but it can also mean that the investment manager is actively managing the assets in line with the trust's stated aims.

Dealing Costs

There are costs associated with buying and selling shares that include broker commission and government stamp duty, currently 0.5% on the purchase of shares.

Soft Commission Agreements

Commission is generally paid to brokers for buying and selling underlying equity investments in a portfolio. In certain circumstances, this commission also pays for research.

5 HOW WILL THE CHARGES & EXPENSES AFFECT WHAT I GET BACK?

The effect of charges on an investment of £1,000 is set out below. The income and growth figures used in the tables are not guaranteed. They assume a rate of growth of 6% per annum for direct investment in the trusts and 7% per annum for ISA investment. These rates are prescribed by the Financial Services Authority. You will get back more than you invested if the investment performance is more than the charges.

TU British Trust

If we assume:

You invest £1,000 in the TU British Trust;
Your money grows at 6% a year (not guaranteed);
You do not make any withdrawals, and
Any income generated by the trust is re-invested in the fund then the effect of the charges will be as follows:

| <i>At end of of year</i> | <i>Investment to date</i> | <i>Effects of deductions to date</i> | <i>What you might get back</i> |
|------------------------------|-------------------------------|--|------------------------------------|
| £ | £ | £ | £ |
| 1 | 1,000 | 117 | 923 |
| 3 | 1,000 | 155 | 972 |
| 5 | 1,000 | 198 | 1020 |
| 10 | 1,000 | 338 | 1160 |

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £338. Putting it another way, this would have the same effect as bringing the illustrated investment growth rate down from 6% a year to 3.5%.

TU British Trust ISA

If we assume:

You invest £1,000 in the TU British Trust;
Your money grows at 7% a year (not guaranteed);
You do not make any withdrawals, and
Any income generated by the trust is re-invested in the fund then the effect of the charges will be as follows:

| <i>At end of of year</i> | <i>Investment to date</i> | <i>Effects of deductions to date</i> | <i>What you might get back</i> |
|------------------------------|-------------------------------|--|------------------------------------|
| £ | £ | £ | £ |
| 1 | 1,000 | 118 | 952 |
| 3 | 1,000 | 160 | 1060 |
| 5 | 1,000 | 211 | 1190 |
| 10 | 1,000 | 389 | 1570 |

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £389. Putting it another way, this would have the same effect as bringing the illustrated investment growth rate down from 7% a year to 4.6%.

TU European Trust

If we assume:

You invest £1,000 in the TU European Trust;
Your money grows at 6% a year (not guaranteed);
You do not make any withdrawals, and
Any income generated by the trust is re-invested in the fund then the effect of the charges will be as follows:

| <i>At end of of year</i> | <i>Investment to date</i> | <i>Effects of deductions to date</i> | <i>What you might get back</i> |
|------------------------------|-------------------------------|--|------------------------------------|
| £ | £ | £ | £ |
| 1 | 1,000 | 96 | 947 |
| 3 | 1,000 | 134 | 1000 |
| 5 | 1,000 | 179 | 1060 |
| 10 | 1,000 | 322 | 1220 |

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £322. Putting it another way, this would have the same effect as bringing the illustrated investment growth rate down from 6% a year to 3.7%.

TU European Trust ISA

If we assume:

You invest £1,000 in the TU European Trust;
Your money grows at 7% a year (not guaranteed);
You do not make any withdrawals, and
Any income generated by the trust is re-invested in the fund then the effect of the charges will be as follows:

| <i>At end of of year</i> | <i>Investment to date</i> | <i>Effects of deductions to date</i> | <i>What you might get back</i> |
|------------------------------|-------------------------------|--|------------------------------------|
| £ | £ | £ | £ |
| 1 | 1,000 | 97 | 973 |
| 3 | 1,000 | 139 | 1080 |
| 5 | 1,000 | 190 | 1210 |
| 10 | 1,000 | 369 | 1590 |

The last line in the table shows that over 10 years, the effect of the total charges and expenses could amount to £369. Putting it another way, this would have the same effect as bringing the illustrated investment growth rate down from 7% a year to 4.8%.

6 HOW MUCH CAN I INVEST?

You can invest a minimum lump sum of £1,000

- A minimum additional lump sum of £500 and/or
- a minimum monthly saving amount of £50 per trust
- transfer in an ISA from another Manager.
- There is no maximum amount unless you invest in an ISA in which case the maximum is £7,200 in a Stocks and Shares ISA. For more details about ISA limits see the additional investor information section on page 8.
- Lump sums may be spread between the two Trusts, as desired, subject to a minimum of £1000 in any one Trust.

7 WILL I RECEIVE INCOME ON A REGULAR BASIS?

- Our trusts distribute income on a regular basis.
- If you own units directly (not held in an ISA wrapper) on an "accounting date", you will receive the income that has accrued to you in respect of the period since the previous accounting date. This income will be paid by direct credit into your UK Bank/Building Society Account on the payment dates as follows:-

TU British Trust 15 April 15 October

TU European Trust 15 December

- Alternatively your income can be re-invested automatically in the purchase of further units. These units will normally be purchased at the offer price ruling five days before payment date, less a discount of 2%.
- Regular Savings Plan income is always reinvested.
- ISA investors have their income automatically reinvested.

8 HOW WILL TAX AFFECT MY INVESTMENT?

Within the Trusts

- Each trust is exempt from United Kingdom tax on capital gains realised on the disposal of investments held within them.
- Dividends from United Kingdom companies are received with a tax credit and no further tax is payable by the trust on that income.
- Trusts will each be subject to corporation tax at 20% on other types of income but after deducting allowable expenses.

Individual Taxation

- For all funds, the personal tax you pay depends on your individual situation and/or the place where your capital is invested. If you are unclear what your position is you should seek professional advice.
- Income is distributed in the form of net dividends carrying a 10% tax credit. If you are a starting or basic-rate taxpayer, there will be no further UK income tax to pay.
- If you are a higher-rate taxpayer, you will be liable to further tax on the grossed up dividend.
- Non-taxpayers cannot reclaim the tax credit on dividend income.
- Your tax position is the same whether your dividend is re-invested or paid to you.
- You may be liable to capital gains tax on the sale of your shares if your total chargeable gains and losses in a tax year exceed the annual exemption.
- Stamp Duty Reserve Tax (SDRT) could be chargeable on the value of surrenders and transfers in the fund. The rate of SDRT is 0.5%.

ISA Accounts

- You don't have to pay any income tax or capital gains tax on the returns you receive within your ISA and you don't need to mention ISA investments on your tax return.
- Remember that tax rules may change, so these benefits may not be maintained in future years.

9 HOW DO I INVEST?

Opening an investment

- When you are happy that you understand the terms of the product you have chosen, complete the relevant Application Form and send it to us together with your cheque.
- Any investment you place with us will be used to purchase units in the Trust(s) indicated on your application form.
- Regular Savers should also complete the Direct Debit Mandate on the Application Form, which should be completed with the same bank account details as the accompanying cheque.
- If you are investing a lump sum, you should enclose a cheque for the full amount. If you are investing by monthly instalments, you should enclose a cheque for the first monthly instalment. The cheque must be drawn from your own account.
- The purchase of your units will be made at the price calculated at the next valuation point, following receipt of your written instructions. This is known as forward pricing. For regular savers, subsequent payments (by direct debit) are applied on the 10th day of each month (or the nearest working day thereafter). For ISA savers subsequent payments (by direct debit) are applied on the 15th day of each month (or the nearest working day thereafter). Lump sum investors will be sent a contract note showing the details of the purchase.
- Regular Savers will receive confirmation that their plan has been opened and details of the monthly purchases will appear on the half-yearly statements.
- Unit Certificates are not issued so contract notes and statements should be kept as records of your transactions.

Can I cancel my investment?

- Yes, we will send you a Cancellation Notice with your purchase contract note which will give you the right to cancel your instruction at any time during the 14 days after you receive it.
- If you take up your right to cancel, we will repay any money paid minus the amount, if any, by which the value of your investment has fallen. You will have to repay any amounts already paid to you under the contract.
- Should you cancel an ISA transfer please note that the return of your money will mean that you will have terminated your ISA for all tax years transferred to us under the transaction. You will no longer be able to hold the withdrawn amount within an ISA, losing all future tax benefits associated with it.
- A cancellation notice should be sent to: TU Fund Managers Limited, P.O. Box 55763, 50 Bank Street, Canary Wharf, London E14 1BT

How is my investment valued?

Your investment is used to buy units in the Trust.

The value of each unit in the Trust is equal to the value of all the Trusts investments divided by the number of units in issue.

The assets of the Trusts are normally valued at 12.00 noon on each working day.

Three prices are calculated:-

- Buying (Offer) price,
- Selling (Bid) price and
- Cancellation price (The cancellation price is lower and may be used instead of the Selling price where the value of units sold exceeds £15,000).

We have the right to carry out additional valuations, in accordance with the Regulations. Full details can be found in the Prospectus of the Trusts.

How do I keep track of my investment?

- Valuations are sent out twice a year as at 5th April and 5th October to your registered address.
- The latest buying and selling prices of the trusts, together with the estimated distribution yield, are currently published daily on our website at www.tufm.co.uk/prices.asp, and are also available by telephone from the unit trust dealers on 0800 279 0887. Due to the nature of forward pricing these will not be the prices at which you would be able to deal.

Can I switch my investment between trusts ?

- If you have invested a lump sum simply send us your written instructions when you wish to make a change.
- If you are investing by regular monthly payments, you may re-direct your future contributions to a different Trust at any time. In addition, you may change the Trust to which your accumulated investments are allocated, as if you had invested a lump sum.

Can I transfer an existing ISA investment to TUFM?

- Should you choose to transfer an ISA investment to us you should check with your current ISA provider whether there are exit charges or any other costs associated with the transfer.
- You will normally incur the usual initial charge when the transferred proceeds are invested by us unless we have informed you otherwise.
- You may potentially lose income or growth, should the markets rise during the period between the selling of your current investments and their subsequent investment with us.

Can I transfer my ISA investment to another Company?

- You can transfer your TU ISA to another investment company.
- You should apply to the new ISA provider for a transfer form. They will make the necessary arrangements with us for the transfer.
- The transfer will be carried out at the next valuation point after we receive the instruction. Our cheque in settlement will be sent to your new ISA provider within four business days of that day.

How do I cash in my investment?

- A simple letter to us is all that is required. You may stipulate a time limit for the sale (which may not be less than 10 days).
- The sale will be transacted at a price calculated at the next valuation point either on the same day or the next business day following receipt of your written instructions.
- Subject to the completion of money laundering checks, a cheque will be sent to you within four business days of the day on which the unit price is allocated. Such cheques are payable to the Account holder only and not to any third party. If you place your instruction over the telephone, payment will not be made until we receive your signed Renunciation Form.
- If you sell more than £15,000 of units in one transaction you might receive the cancellation price, which can be lower than the bid/selling price.
- If you close an ISA it cannot be reopened, and you will no longer benefit from the tax advantages of your investment.

10 ADDITIONAL INVESTOR INFORMATION

The following information is of specific relevance to retail investors.

We recommend that you consult an independent financial adviser before you invest.

How much will any advice cost?

If you have been advised to invest with us by a financial adviser, that adviser is entitled to receive initial commission from us.

Your adviser will give you details about the cost. The amount will depend on the size of the investment and, in the case of regular savings, the length of the investment term.

Commission is normally paid for out of the initial charges unless you have a different arrangement with your financial adviser.

What is a Unit Trust?

A unit trust is a collective investment scheme, managed on behalf of a large number of investors with similar objectives.

The underlying securities are held by an independent trustee (in our case HSBC Bank plc) in order to safeguard the interests of the underlying investor.

The total fund is divided into "units" and the value of your investment is simply a proportion of the fund dependent on the number of units you hold. Thus you are able to obtain the advantages of investment and cost reductions normally only available to institutional investors.

What is an ISA?

An Individual Savings Account (ISA) is simply a tax efficient wrapper allowing you to make the most of the tax efficient investment allowances available each year.

There are two separate types of ISA Account, one for cash and the other for stocks and shares. These can be held with different ISA managers.

TU Fund Managers Limited is an authorised manager for ISAs and offers only the stocks and shares option, which may only be invested in one or more of the TU unit trusts.

You may invest in the TU ISA either by means of a lump sum or by regular monthly investments. The amount you may invest is restricted overall to £7,200 i.e. up to £3,600 in a Cash ISA and up to £7,200 in a Stocks and Shares ISA. From 6 October 2009, for those aged 50 or over, the ISA limit will increase to £10,200, up to £5,100 of which can be invested in a Cash ISA. The new limits will apply to all ISA investors (aged 18 or over) from 6 April 2010.

To invest in a Stocks & Shares ISA you must be over 18 and both resident and ordinarily resident in the UK for tax purposes. Crown employees who live overseas and are paid out of UK public revenue can also invest in an ISA, as can their spouse or their civil partner.

Investments cannot be registered in joint names, but both a husband and wife have their own individual entitlement.

When you make an ISA investment we use this to purchase units exactly as for a direct investment. The units are however registered in the name of, and held by TU Fund Managers Limited in a plan subregister, and the income arising and any relevant tax credit will be payable to that sub-register on your behalf. You are however entitled to the full value of the holdings at all times exactly as if you held them directly.

The precise way in which the ISA is managed is set out in the Terms and Conditions (see page 11) which you should read before making your investment.

How do I comply with anti-money laundering regulations?

To comply with the governments' Money Laundering Regulations we have to check your identity and the source of the money invested.

The checks may include an electronic search of information held about you on the electoral roll and using credit reference agencies.

If you fill in the application form you are giving us permission to ask for this information in line with the Data Protection Act 1998.

If you are investing through a Financial Services Authority regulated IFA an 'Identity Verification Certificate' completed and signed by the IFA must accompany your application.

Client Categorisation

We will treat you as a retail customer unless we notify you otherwise.

How do I obtain the Prospectus and Unit Trust Manager's Reports?

- Free copies of the Prospectus can be ordered by telephone on 0800 279 0887.
- Free copies of the Trusts' annual and half yearly Reports can be ordered by telephone on 0800 279 0887 or downloaded from our website www.tufm.co.uk.

How do I register a complaint?

- Should you at any time have a complaint concerning your investment you should write to us at P.O.Box 55763, 50 Bank Street, Canary Wharf, London E14 1BT as soon as possible setting out the grounds for the complaint.
- A written complaints procedure is available on request.
- If we are unable to resolve your complaint to your satisfaction, you may also complain directly to the Financial Ombudsman Service. Details of the Financial Ombudsman Service can be ordered by telephone on 0800 279 0887.

Is there a Compensation Scheme?

- We are covered by the Financial Services Compensation Scheme.
- You may be entitled to compensation from the scheme if we cannot meet our obligations.
- For more information please visit www.fscs.org.uk or write to the Financial Services Compensation Scheme at 7th Floor, Lloyds Chamber, Portsoken Street, London E1 8BN.

Governing Law and Communication

- Any contract or relationship entered into by TU Fund Managers Limited will be governed by the laws of England and Wales, and subject to the exclusive jurisdiction of the English courts.
- Contractual obligations are provided in English, and all communications will be in English.

What is the company's regulatory status?

TU Fund Managers Limited is authorised, registered and regulated by the Financial Services Authority and is entered on the FSA Register, No.122346. The main business of the company is acting as manager for a range of authorised funds. Further details of the Financial Services Authority can be found at www.fsa.gov.uk.

When was this document published?

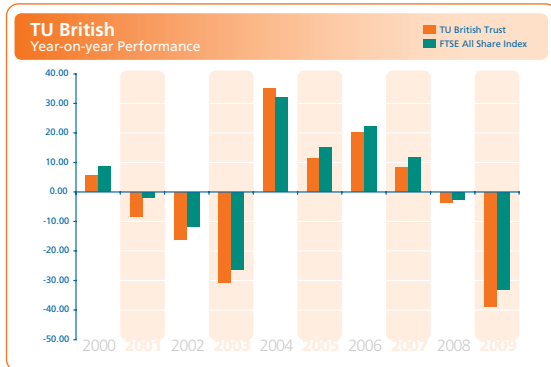
This document was published 1 May 2009.

Notes:

- 1 The rules relating to taxation set out in this document are based on our understanding of current law and practice at 1 May 2009 and may be subject to change. The value of any tax relief depends upon individual circumstances.
- 2 The annual and initial charges, spreads and estimated yields shown in this brochure and used in the calculation of the effects of charges are those current on 1 March 2009. The other expenses have been calculated using the last published audited accounts.

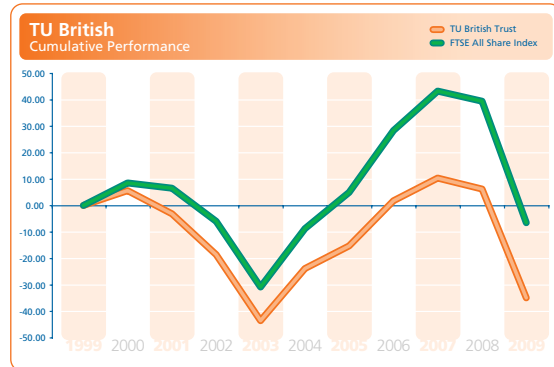
11 INVESTMENT PERFORMANCE

How have the Trusts performed in the past?



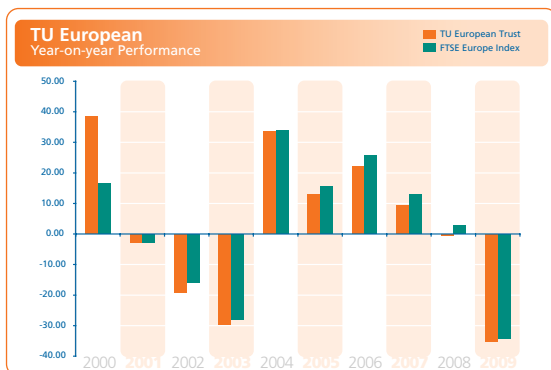
Source: Lipper, a Reuters company, bid to bid, net income reinvested as at 28.02.09. Past performance is not a guide to future performance.

The past performance of the trusts does not include the effect of any initial charge.
February 1999 - February 2009



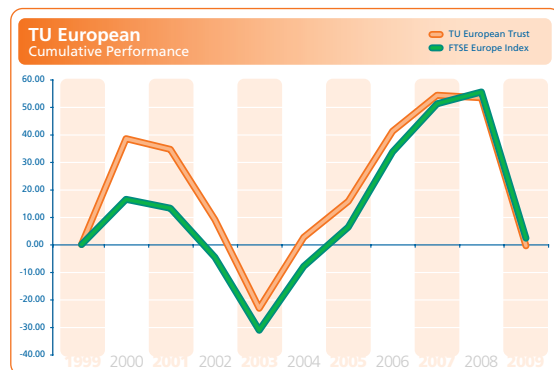
Source: Lipper, a Reuters company, bid to bid, net income reinvested as at 28.02.09. Past performance is not a guide to future performance.

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The past performance of the trusts does not include the effect of any initial charge.
February 1999 - February 2009

TERMS AND CONDITIONS

Effective from 6th April 2009

These terms and conditions, together with your application form make up the Agreement between you and TU Fund Managers Limited. They set out your rights concerning your investment.

If there is anything you do not understand please contact us on 0800 279 0887 or contact your financial adviser.

1 Our Appointment

This Agreement confirms the terms upon which we (TU Fund Managers Limited) will act as manager of your investment ('the Account'). This Agreement will become effective upon acceptance by us of a properly completed and signed Unit Trust Application Form or ISA Application Form or ISA Transfer Form, initial subscription and money laundering documentation at our office at 50 Bank Street, Canary Wharf, London E14 5NT.

2 Regulation

- 2.1 We are authorised and regulated by the Financial Services Authority (FSA) in the conduct of our investment business and are bound by its rules. The services which we provide to you in accordance with this Agreement, will be subject to the FSA's Conduct of Business, Collective Investment Scheme and other relevant rules.
- 2.2 In the case of ISAs we are approved by the Commissioners of the HM Customs & Revenue to act as ISA Manager for your ISA and you give us authority to manage it in accordance with these Terms & Conditions. In the event of conflict between the requirements of the Financial Services Authority and HM Revenue & Customs Regulations applicable to ISAs ('the ISA regulations'), the latter will prevail.

3 Money Laundering

The Money Laundering Regulations 2007, The Proceeds of Crime Act 2003, The FSA Senior Management Arrangements Systems & Controls Source Book and Joint Money Laundering Group Steering Committee guidance notes (which are updated from time to time) state that we must check your identity and the source of the money invested. The checks may include an electronic search of information held about you on the electoral roll and using credit reference agencies. If you fill in the application form you are giving us permission to ask for this information in line with the Data Protection Act 1998. If you invest through a financial adviser they must fill an identity verification certificate on your behalf and send it to us with your application.

You confirm that all the information you supply will be accurate and that we may pass on such information that we consider necessary to comply

with any reporting requirements. We reserve the right to terminate this Agreement should you be unable to satisfy our Money Laundering obligations in good time and repay monies to you, subject to a deduction of the amount (if any) by which the value of the units has fallen at the time such termination is made.

4 Client Classification

For the purpose of this Agreement, you will be classified as a retail client under the FSA Rules, unless otherwise set out in any other document which is said to form part of this Agreement.

5 Your Investment

Your investment will be regarded in all respects as a single investment irrespective of the year or years in which you may have made contributions and the underlying trusts in which the account may be invested.

We will make your investment in the unit trusts listed in paragraph 7 according to the instructions given by you, initially in the Application form and subsequently from time to time in compliance with the requirements of the FSA and, if applicable, HM Customs & Revenue. You will at all times remain the beneficial owner of all investments held within your Account. ISA investors authorise us to submit claims for tax relief on their behalf.

6 Stocks & Shares ISA

In subscribing to a Stocks & Shares ISA you must not subscribe to another Stocks & Shares ISA in the same tax year. You must not subscribe more than £7,200 in total to a Cash ISA and a Stocks & Shares ISA in the same tax year. From 6 October 2009, for those aged 50 or over, the ISA limit will increase to £10,200, up to £5,100 of which can be invested in a Cash ISA. The new limits will apply to all ISA investors (aged 18 or over) from 6 April 2010.

7 The Unit Trusts

Your investment may be made in one or more of the following unit trusts:

- TU British Trust (TUBT); and
- TU European Trust (TUET).

The objectives and general terms of these Trusts are set out in the attached Simplified Prospectus. Further details are available in the Prospectus, which is available on request. If you invest on a lump sum basis, you may determine the amount initially allocated to each Trust, subject to a minimum of £1,000 in any one Trust. If you invest in an ISA on a regular monthly basis, your investment must be initially to one Trust.

8 Making your Investment

Investment in a unit trust may be made by subscriptions in cash. Investment in an ISA may be made by subscriptions in cash or by the transfer of cash from another ISA Account Manager, in accordance with the ISA Regulations as amended from time to time, and thereafter will be subject to the requirements of those Regulations.

Your investment will be used to purchase units in your chosen unit trust at the buying price calculated either on the same day or the next business day following receipt of your Application Form and cheque, or following receipt of the investment monies transferred from your former ISA Account Manager. We will write to you acknowledging receipt of your application and investment.

9 Charges

The current charges for investment in the Trusts have been set out in the Simplified Prospectus. These charges may be varied in accordance with the terms of the Trust Deeds and Prospectus, subject to our giving 2 months' written notice to unit holders. There is no additional charge for investing through an ISA. We have no current intention of increasing any charges but retain the right to do so, subject to giving you two months' notice of any change.

10 Valuing the Investments

The underlying investments in the Trusts are valued at 12.00 noon on each business day and the unit prices based on this valuation are released at around 2.30 pm. Prices are published daily on our website www.tufm.co.uk or they may be obtained by telephone from our Investor Administration Team on 0800 279 0887. All deals are transacted on a 'forward pricing' basis.

11 Regular Savers

If you contribute to a unit trust on a regular monthly basis by direct debit, we will collect the amount specified on your Application Form from your bank account on the 10th day of each month or the next business day thereafter.

If you contribute to an ISA on a regular monthly basis by direct debit, we will collect the amount specified on your Application Form from your bank account on the 15th day of each month or the next business day thereafter.

Units will be purchased on the day your bank account is debited. This will continue until such time as you instruct us to cancel your direct debit. Should you do this before you have contributed a total of £1,000, we may at our absolute discretion, encash the units at their then current value and pay the proceeds to you.

12 Investment Switching Facility

You may, at any time, elect to switch all or part of your investment to another unit trust listed in

paragraph 7. In the case of a partial switch, there must subsequently be a minimum of £1,000 in each trust in which you are invested. The switch will be transacted at the prices calculated either on the same day or the next business day following receipt of your written instructions. The existing units will be redeemed at the selling price. We will then purchase units in the selected trust at a price which will include a discount of 3% on the normal buying price.

13 Income Distributions

Unitholders who elect to withdraw distribution income from the funds will have it paid by credit transfer to their nominated bank or building society account on the income distribution date(s) shown in the Simplified Prospectus.

ISA investors and those unit trust investors who choose to have their distribution income reinvested will have additional units purchased in the trust from which the income has arisen, on a date five days before the normal payment date of the distribution. Reinvestment will be made at the relevant quoted buying price, less a discount of 2%.

14 Capital Withdrawals

14.1 As a unitholder you may withdraw part of the value of your investment by giving valid, signed, written notice to us, stating clearly the amount you wish to withdraw. The minimum withdrawal is £500. We will sell sufficient units to raise the amount requested normally at the selling price calculated either on the same day or the next business day after your instructions are received (see paragraph 23). Subject to the completion of money laundering checks a cheque in settlement will be sent within four business days of the day on which the unit price is allocated. Should the remaining investment following the withdrawal be valued at less than £1,000 (selling price) we may, at our absolute discretion, treat the notice as a request for encashment of the entire value of your investment.

14.2 As an ISA investor you may withdraw part of the value of your investment by giving valid, signed, written notice to us, stating clearly the amount you wish to withdraw. The minimum withdrawal is £500. We will sell sufficient units within any time limit (which may not be less than 10 days) stipulated by you, to raise the amount requested normally at the selling price calculated either on the same day or the next business day after your instructions are received (see paragraph 23). Subject to the completion of money laundering checks a cheque in settlement will be sent within four business days of the day on which the unit prices allocated. Should the remaining investment following the withdrawal be valued at less than £1,000 (selling price) we may, at our absolute discretion, treat the notice as a request for encashment of the entire value of your investment.

15 Termination

- 15.1 Unit trust investors may give notice to terminate their investment at any time in accordance with paragraph 16. The sale of your unit trust holding(s) will normally be actioned at the selling price calculated either on the same day or the next business day after your instructions are received (see paragraph 23). Our cheque in settlement will be sent to you within four business days of the day on which the unit price is allocated. Any distributions due but not received by the date your investment is sold will be forwarded to you on the usual distribution payment date for the Trust.
- 15.2 ISA investors may give notice to terminate their investment at any time in accordance with paragraph 16. The sale of your underlying unit trust holding(s) will normally be actioned within any time limit (which may not be less than 10 days) stipulated by you, at the selling price calculated either on the same day or the next business day after your instructions are received (see paragraph 23). Our cheque in settlement will be sent to you within four business days of the day on which the unit price is allocated. Any distributions due but not received by the date your investment is sold will be forwarded to you on the usual distribution payment date for the Trust. We may give you notice of termination in accordance with paragraph 16 (subject to a minimum period of notice of one calendar month). Termination will be without prejudice to the completion of transactions already initiated.

16 Notices and Instructions

All notices and instructions to us must be given in writing at the address provided in paragraph 1 or such other address as we may notify you from time to time. Any notice or other document to be given by either party under this Agreement may be delivered in person or sent by post or electronic fax to the other party at the address indicated in paragraph 1 or in your case in the Application Form, or to such other addresses or fax numbers as shall have been properly notified. In the case of notices and instructions sent by electronic fax, the original written instruction or other document must also be delivered either in person or sent by post. Where an instruction is received by us, to terminate or make a capital withdrawal from your investment, the cash proceeds will not be sent to you until the original written instruction is received. Any such written notice or documents given by either party shall be deemed to have been served:

- If delivered, at the time of delivery; or
- If sent by post, on the second day following posting; or
- If sent by electronic fax, at the expiration of 12 hours after the time of transmission.

- In proving such service, it shall be sufficient to prove that delivery by hand was made or that the envelope containing such notice or document was properly addressed and posted as a prepaid letter or that the electronic fax was properly addressed and dispatched to the correct fax number, as the case may be.

17 Periodic Statements and Reports

We will supply you with a valuation of your investment, together with details of transactions undertaken since the last statement. Statements will be sent not less than once every six months.

Manager's Short Reports in respect of the unit trust(s) will be forwarded to you within 2 months of the end of the relevant annual or interim accounting period.

18 Client Money

Should circumstances arise which require us to hold cash on your behalf, this will be held in a 'client money' account with an approved bank. No interest is payable by the Managers on monies credited to this account.

19 Custody of your Assets (ISA Accounts only)

All investments belonging to ISA investors will be registered in the name of, and held by, TU Fund Managers Limited in the capacity of bare trustee on your behalf, or any other company subsequently nominated by us for this purpose. Although your holdings are recorded separately by us within a plan sub-register as defined within the rules of the Financial Services Authority, (as may be from time to time amended) your individual entitlement may not be separately identifiable on the main register of unitholders or in the records of any other company by separate documents or certificates of title. As a consequence of this, in the event of our default, any shortfall in the investment so registered may be shared pro-rata among all customers whose investments are so registered. Neither we nor any other company nominated by us for this purpose may hold any lien or security interest over customers' investments.

20 Unitholder Rights

You are entitled to attend unitholder meetings of the Trusts in which you are invested and to exercise your right to vote on resolutions. If a unitholder meeting is called, then we will give you advance notice, so that you have an opportunity to attend. You will receive, in addition to the Manager's Short Reports, any other information issued to unitholders.

21 Transfer to Another ISA Account Manager

You may, by written notice signed by you and on acceptance by another ISA Manager, transfer the whole or part of your ISA account to that ISA Manager. The sale of the underlying unit trust holding(s) will normally be actioned at the selling price calculated either on the same day or the next business day after your instructions are received, and within the time stipulated by you (which may not be less than 10 days). In accordance with the ISA regulations you may only transfer the whole of your investments made during the tax year in which they are transferred. This may be determined either by the value of the investments at the time of transfer or, if you specifically request it, by the value of the subscriptions made during that tax year. Investments made during tax years prior to that in which the transfer is effected may be transferred in whole or in part. We will provide you with written details of the market value of investments as at the date of transfer (see paragraph 23).

22 Death of an Investor

- 22.1 For unit trust investors only: In the event of your death and upon receipt of a sealed copy of the grant of probate or letters of administration in respect of your estate, we shall, at the request of your personal representatives, sell (see paragraph 23) or re-register your unit holdings as soon as reasonably practicable. The proceeds from the sale of units will be forwarded to your personal representatives.
- 22.2 For ISA investors only: In the event of your death your ISA will cease to be exempt from income and capital gains tax from the time of death. The ISA Regulations do not permit an ISA to be transferred in specie to another person. Upon receipt of a sealed copy of the grant of probate or letters of administration in respect of your estate, we shall, at the request of your personal representatives, sell (see paragraph 23) or re-register the underlying unit holdings as soon as reasonably practicable. The proceeds from the sale of units will be forwarded to your personal representatives.

23 Large Deals

When units are encashed on withdrawal, termination, transfer or death the sale is normally transacted at the relevant selling price. Where the sale is for an amount in excess of £15,000 however, we may instead apply the cancellation price, which can be lower, and is the price paid by the Trustee to the Manager in respect of cancelled units.

24 Complaints and Compensation

In the event of a complaint you should write to us at the address detailed in paragraph 1 above setting out the grounds for your complaint. If we are unable to resolve your complaint to your satisfaction, you may also complain directly to the Financial Ombudsman Service. If you make a valid claim against us, and we are unable to meet our liabilities to you, you may be entitled to compensation under the Financial Services Compensation Scheme. A summary of your rights under the Financial Services Compensation Scheme is available upon request.

25 Material Interests

We may act in the same transaction as agent for more than one client collectively and, on occasions also as principal in the same transaction. We may act as principal in the purchase and sale of holdings in unit trusts and may retain any profits derived from such transactions without accounting for them to unitholders.

26 Access to Records

We keep records of our business transactions for at least six years. Subject to reasonable notice being given either to you or your nominated agent may request copies of all entries in our records relating exclusively to you. We shall be entitled to receive a fee to cover the cost of providing such copies.

27 HM Revenue & Customs

We will comply at all times with the requirements of HM Revenue & Customs for ISAs and will notify you if by reason of any failure to satisfy the provisions of the relevant HM Revenue & Customs regulations, your ISA Account has or will become void for tax purposes.

28 Assignability

Neither party shall be entitled to assign or transfer any of its rights or obligations hereunder. You may not use your investment with us as security for a loan.

29 Third Party Competency

We will satisfy ourselves of the competency of any third party to whom we delegate any of our functions or responsibilities under the terms of this agreement.

30 Entire Contract

The relationship between you and us is as described in this Agreement, which supersedes all previous Agreements (if any) concerning this relationship.

31 Investment Manager

Day to day investment management of the Trusts is carried out by Insight Investment Management (Global) Limited, which is authorised and regulated by the Financial Services Authority, on behalf of TU Fund Managers Limited.

32 Variations

We may vary the terms of this Agreement unilaterally on giving one calendar month's notice to you

33 Governing Law

This Agreement will be governed in all respects in accordance with English Law and is subject to the exclusive jurisdiction of the English courts.

34 Telephone Calls

For the security and protection of both parties, telephone calls may be recorded.

35 Confidentiality

We shall not disclose to any person other than our employees or agents, or our regulators (except with your authority or unless required by law) any confidential information relating to your business, assets, finances or other matters of a confidential nature of which we may become possessed during the currency of this Agreement. By entering into this Agreement, you authorise us to provide relevant particulars to HM Revenue & Customs, either during the continuation of this agreement or subsequently.

36 Our Liability

We will not be responsible for any loss of opportunity whereby the value of the investments could have been increased or for any decline in the value of investments or any taxation charges unless such decline or loss of charge is the direct result of our wilful negligence. We will not be liable for any errors of fact or judgement, or for any action lawfully taken or omitted to be taken by us unless such errors or actions are the direct result of our negligence. We warrant that during the continuance of your investment you will remain the beneficial owner of all unit trusts held in your account.

37 Data Protection

TU Fund Managers Limited is the data controller for the purposes of the Data Protection Act. Information provided by you on your Application Form, details of how your holding is operated and records kept when you use it, may be shared amongst TU Fund Managers, their agents and contractors and analysed to enable those companies to provide the service you applied for, and to update and enhance their records. We may transfer your personal records to countries located outside the European Economic Area (EEA). This may happen when our servers, suppliers and/or service providers are based outside the EEA. The data protection laws and other laws of these countries may not be as comprehensive as those that apply within the EEA. In these instances we will take steps to ensure that your privacy rights are respected. Details relevant to you may be provided upon request.

**Managers of the Unit Trusts,
and Account Manager of the
Individual Savings Account.**

TU Fund Managers Limited

Head Office
Congress House, Great Russell Street
London WC1B 3LQ

Investor Administration

P.O.Box 55736
50 Bank Street
Canary Wharf
London E14 1BT

Useful telephone numbers:

Investor Administration & Valuations

UK callers phone free from a BT landline on 0800 279 0887

Overseas Callers use 0870 870 8367

Literature: 0800 085 9028

Marketing: 020 7637 7116

Telephone calls may be recorded

Trustee

HSBC Bank plc
8 Canada Square
London E14 5HQ

Auditors

Shipleys LLP
10 Orange Street, Haymarket
London WC2H 7DQ

Investment Managers

Insight Investment Management (Global) Limited
33 Old Broad Street,
London EC2N 1HZ



TU Fund Managers

www.tufm.co.uk

Authorised and regulated by the Financial Services Authority