

## WESER CAPITAL LIMITED

(Incorporated with limited liability in Jersey)

**US\$30,000,000,000**

### Certificate programme

*This Base Prospectus describes the US\$30,000,000,000 certificate programme (the "**Programme**") of Weser Capital Limited (the "**Issuer**"). This Base Prospectus is valid for one year from 14 June 2018.*

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations and directives, may from time to time issue secured certificates ("**Secured Certificates**") and unsecured certificates (the "**Unsecured Certificates**") and, together with the Secured Certificates, the "**Certificates**") on the terms set out herein, as further detailed in final terms (each, "**Final Terms**"). This Base Prospectus should be read in conjunction with the applicable Final Terms prepared in connection therewith. The aggregate principal amount of Certificates outstanding will not at any time exceed US\$30,000,000,000 (or the equivalent in other currencies).

The Certificates will generally offer exposure on a 1:1 basis for a Series of shares or interests in certain entities (including, but not limited to, companies, limited partnerships, unit trusts and contractual funds) (each a "**Company**") being a Company of a type that conforms to the criteria set out in the general description of Companies (as set out in "*Series Assets - Description of the Shares and the Company*") or the Certificates will offer exposure to a portfolio which consists of (1) shares or interests in the Company applicable to such Series (the "**Shares**") and (2) if specified, a Cash Account, with any return potentially being reduced by the payment of Transaction Fees (as defined in "*Terms and Conditions of the Certificates*"), in each case as confirmed in the Final Terms relating to each particular Series.

Each Certificate of a Series will be linked to the Shares. The Issuer at its discretion, in respect of a Series, may either (i) purchase the Shares and/or (ii) obtain exposure to the Shares by either entering into a swap (a "**Swap**") with Morgan Stanley & Co. International plc (the "**Swap Counterparty**") which references the Shares of the Company or by subscribing for certificates ("**MS Certificates**") issued by Morgan Stanley & Co. International plc (the "**MS Certificate Issuer**") which reference the Shares of the Company. Neither the Swap Counterparty nor the MS Certificate Issuer need purchase the Shares referenced by the Swaps or the MS Certificates, as applicable. The number or amount of Shares referenced in the Swap or MS Certificates, in respect of a Series, from time to time, will be determined by the Issuer on the basis that it is required to fully hedge its obligations to make payments under the Certificates.

Certificates will be issued in Series (as defined in "*Overview of the Programme*") and each Series will either consist of Secured Certificates and Secured Series Custodian Certificates only (each, a "**Secured Series**") or Unsecured Certificates and Unsecured Series Custodian Certificates only (each, an "**Unsecured Series**") and, together with the Secured Series, the "**Series**"). Each Secured Series (other than the Secured Series Custodian Certificates) will be secured by a charge on and/or assignment of and/or other security over or in respect of (i) Shares or MS Certificates owned by or held on behalf of the Issuer or a Swap or Swaps entered into by the Issuer in respect of such Secured Series and any sums held in a Cash Account (if any) for such Series (the "**Collateral**") and all proceeds of, income from and sums arising from such Collateral; (ii) all sums held by the Paying Agent (as defined in "*Terms and Conditions of the Certificates*") to meet payments due under the Secured Certificates or by the Issuer in relation to the Collateral of such Secured Series; and (iii) the Issuer's right, title and interest under any agreement under which the Issuer enters into the Swap or Swaps and/or by which the Issuer purchases the Collateral in respect of the relevant Secured Series and the Agency Agreement (as defined in "*Terms and Conditions of the Certificates*"), together with security over such additional property as may be described in the relevant Final Terms (together, the "**Mortgaged Property**"). The Secured Series Custodian Certificates of a Secured Series will not be secured by or have recourse to the Mortgaged Property for that Series or any other asset.

Each Unsecured Series will not be secured and the Unsecured Certificates (other than the Unsecured Series Custodian Certificates) will rely for their payment on, *inter alia*, and, in the case of (iv) below have the benefit of, the contractual rights of the Issuer in respect of (i) Shares or MS Certificates owned by or held on behalf of the Issuer or a Swap or Swaps entered into by the Issuer in respect of such Unsecured Series and any sums held in a Cash Account (if any) for such Series (the "**Underlying Assets**"), and all proceeds of, income from and sums arising from such Underlying Assets; (ii) all sums held by the Paying Agent to meet payments due under the Unsecured Certificates or by the Issuer in relation to the

Underlying Assets of such Unsecured Series; and (iii) the Issuer's right, title and interest under any agreement under which the Issuer enters into the Swap or Swaps and/or by which the Issuer purchases the Underlying Assets in respect of the relevant Unsecured Series and the Agency Agreement as may be described in the relevant Final Terms and (iv) the rights of the Issuer under other Series of Certificates which limit the recourse of holders of Certificates of such other Series (together, the **"Unsecured Series Property"** and, together with the Mortgaged Property, the **"Series Assets"**). The Unsecured Series Custodian Certificates of an Unsecured Series will not have recourse to the Unsecured Series Property for that Series or any other asset. All present and future creditors of specific Series Assets of a Series (including service providers for such particular Series) will have their recourse limited to the Series Assets of such Series. The Unsecured Series Property of an Unsecured Series will not be ring fenced against the claims of other creditors by virtue of having the benefit of any security. There can be no guarantee that unspecified third parties will not make any claims against the Unsecured Series Property, and that any Unsecured Series Property will be available to meet the claims of the holders of Unsecured Certificates (the **"Unsecured Certificateholders"**) at any time.

Claims against the Issuer by holders of the Certificates (the **"Certificateholders"**) of a particular Series will be limited to the Series Assets applicable to that Series. If the net proceeds of the enforcement or liquidation of the Series Assets for any Series are not sufficient for the Issuer to make all payments due in respect of the Certificates of that Series, the other assets of the Issuer will not be available for payment of any shortfall arising therefrom. Any such shortfall shall be borne by Certificateholders of each Series as specified in the relevant Final Terms. The Issuer will not be obliged to make any further payment in excess of such net proceeds and accordingly no debt shall be owed by the Issuer in respect of any such shortfall remaining after either (i) in the case of Secured Certificates realisation of the Mortgaged Property and application of the proceeds in accordance with the Trust Deed or (ii) in respect of Unsecured Certificates, liquidation of the Unsecured Series Property and application of the proceeds in accordance with the Trust Deed. None of the Note Trustee, the Security Trustee (if applicable) or any Certificateholder may take any further action to recover such shortfall.

The Base Prospectus has been approved by the Central Bank of Ireland, (the **"Central Bank"**) as competent authority under Directive 2003/71/EC and any amendments, including Directive 2010/73/EU (the **"Prospectus Directive"**). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU and/or which are to be offered to the public in any Member State of the European Economic Area. Application will be made to the Irish Stock Exchange plc trading as Euronext Dublin (the **"Euronext Dublin"**) for Certificates issued under the Programme within 12 months of the date of this Base Prospectus to be admitted to the Official List (the **"Official List"**) and trading on its regulated market (the **"Main Securities Market"**). References in this Base Prospectus to Certificates being "listed" (and all related references) shall mean that such Certificates have been admitted to trading on the Main Securities Market and have been admitted to the Official List. The Main Securities Market is a regulated market (the **"Regulated Market"**) for the purposes of Directive 2014/65/EU.

However, unlisted Certificates may be issued pursuant to the Programme and the Programme provides that Certificates may be listed on such other stock exchange(s) outside the EU or markets as may be specified in the relevant Final Terms. The relevant Final Terms in respect of the issue of any Certificates, will specify whether or not application has been made for such Certificates to be listed on Euronext Dublin (or any other stock exchange) and to be admitted to trading on the Market or other regulated market for the purposes of Directive 2014/65/EU (as amended).

Payments in respect of the Certificates comprising each Series will be made without withholding or deduction for or on account of any taxes unless required by law. The Issuer will not be obliged to gross up payments in respect of the Certificates and any imposition of withholding taxes on payments in respect thereof may lead to redemption of Certificates. See *"Terms and Conditions of the Certificates – Redemption"*.

The Certificates of a Series will be held through a clearing system and represented by a Global Certificate, the Global Certificate will be held by a common depositary appointed by Euroclear Bank S.A./N.V. (**"Euroclear"**) and Clearstream Banking, *société anonyme* (**"Clearstream, Luxembourg"**).

The Certificates will be obligations solely of the Issuer and will not be guaranteed by, or be the responsibility of, any other entity.

## **MORGAN STANLEY & CO. INTERNATIONAL PLC**

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Certificates which, according to the particular nature of the Issuer and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer, the information contained in this Base Prospectus as at the date hereof is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus and in the relevant Final Terms in connection with the issue or sale of a Series of Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Dealer (each as defined in "*Overview of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Certificates which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the subscription price of the Certificates subscribed for shall be in a minimum amount in US\$ (or the equivalent in other currencies) such that the equivalent amount in Euros as at the date of issue of the Certificates shall be €100,000.

The distribution of this Base Prospectus and the offering or sale of Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Dealer to inform themselves about and to observe any such restriction. The Certificates have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Issuer has not registered and will not register under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Consequently, the Certificates may not be offered, sold, resold, delivered or transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except in accordance with the Securities Act or an exemption therefrom or in a transaction not subject to the registration requirements of the Securities Act and under circumstances designed to preclude the Issuer from having to register under the Investment Company Act. The Certificates may only be offered for sale outside the United States to non-U.S. persons in reliance on, and in accordance with, Regulation S and in compliance with applicable laws, regulations and directives. See "*Subscription and Sale and Selling Restrictions*".

For a description of certain restrictions on offers and sales of Certificates and on distribution of this Base Prospectus, see "*Subscription and Sale and Selling Restrictions*".

**Prohibition of sales to EEA retail investors** - The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these

purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**") or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MiFID II product governance/target market** - The Final Terms in respect of any Certificates may include a legend entitled "*MiFID II product governance*" which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer and the Dealer to subscribe for, or purchase, any Certificates.

Purchasers of Certificates should conduct such independent investigation and analysis regarding the Issuer, the security arrangements and the Certificates as they consider appropriate to evaluate the merits and risks of an investment in the Certificates. The Dealer does not make any representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Certificates and none of them accepts any responsibility or liability therefor. The Dealer does not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of the Dealer.

The Issuer having made all reasonable enquiries confirms that this document contains all information with respect to the Issuer and the Certificates that is material in the context of the issue and offering of the Certificates, the statements contained in it relating to the Issuer are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Base Prospectus with regard to the Issuer are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer or the Certificates the omission of which would, in the context of the issue and offering of the Certificates, make any statement in this Base Prospectus misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Base Prospectus. This Base Prospectus does not describe all of the risks of an investment in the Certificates. Neither this Base Prospectus nor any other

financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer or the Dealer that any recipient of this Base Prospectus or any other financial statements should purchase the Certificates. Prospective purchasers of Certificates should conduct such independent investigation and analysis regarding the Issuer, the security arrangements (if any), the Certificates, the Company (applicable to their Series) and the Shares (applicable to their Series) as they deem appropriate to evaluate the merits and risks of an investment in the Certificates. Prospective purchasers of Certificates should have sufficient knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in this Base Prospectus, any supplement to this Base Prospectus (each a "**Supplement**") and the applicable Final Terms (if any) and the merits and risks of investing in the Certificates in the context of their financial position and circumstances. The Dealer does not undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of the Dealer. The risk factors identified in this Base Prospectus and are provided as general information only and the Dealer disclaims any responsibility to advise purchasers of Certificates of the risks and investment considerations associated therewith as they may exist at the date hereof or as they may from time to time alter.

A copy of this document has been delivered to the registrar of companies in Jersey (the "**Jersey Registrar**") in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, as amended, and the Jersey Registrar has given, and has not withdrawn, his consent to its circulation. The Jersey Financial Services Commission (the "**Commission**") has given, and has not withdrawn, or will have given prior to the issue of the Certificates and not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Certificates. The 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. It must be distinctly understood that, in giving these consents, neither the Jersey Registrar nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. It should be remembered that the price of securities and the income from them can go down as well as up.

The directors of the Issuer have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the directors accept responsibility accordingly.

**The investments described in this document do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Commission as suitable investments for any other type of investor.**

**Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that he or she fully**

**understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.**

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "**US\$**" and "**US dollars**" are to United States dollars, references to "**Euro**" or "**€**" are to the lawful currency of the Member States of the European Union that have adopted a single currency in accordance with the Treaty establishing the European Communities, as amended by the Treaty of European Union and references to "**£**" are references to the lawful currency of the United Kingdom.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

THE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, AND NONE OF THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY OF THE UNITED STATES HAS PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE INVESTMENT COMPANY ACT. THE CERTIFICATES MAY NOT BE OFFERED OR SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF, U.S. PERSONS (AS DEFINED IN REGULATION S). THIS BASE PROSPECTUS HAS BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE CERTIFICATES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO REGULATION S, FOR THE LISTING OF THE CERTIFICATES ON EURONEXT DUBLIN AND TRADING ON THE MAIN SECURITIES MARKET. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE CERTIFICATES AND DISTRIBUTION OF THIS BASE PROSPECTUS, SEE "*SUBSCRIPTION AND SALE AND SELLING RESTRICTIONS*".

### **Forward-Looking Statements**

Certain matters contained within this Base Prospectus are forward-looking statements. All statements other than statements of historical facts included in this Base Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. These forward-looking statements speak only as of the date of this Base Prospectus. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which such statement is based.

## **SUPPLEMENTARY INFORMATION**

The Issuer shall prepare a supplement to this Base Prospectus in the circumstances required by, and in compliance with, Article 16.1 of the Prospectus Directive and relevant implementing measures in Ireland. A supplement to this Base Prospectus prepared in the circumstances specified above shall be a "**Supplement**".

## TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION	7
OVERVIEW OF THE PROGRAMME	9
RISK FACTORS	21
TERMS AND CONDITIONS OF THE CERTIFICATES	44
SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE	74
WESER CAPITAL LIMITED	79
THE SWAP AND THE SWAP COUNTERPARTY	82
THE MS CERTIFICATES AND THE MS CERTIFICATE ISSUER	83
SERIES ASSETS – DESCRIPTION OF THE SHARES AND THE COMPANY	84
JERSEY TAXATION	86
SUBSCRIPTION AND SALE AND SELLING RESTRICTIONS	89
GENERAL INFORMATION	95
FORM OF APPLICABLE FINAL TERMS	97
APPENDIX I: AUDITED FINANCIAL STATEMENTS	104
INDEX	105



## OVERVIEW OF THE PROGRAMME

*The following overview is qualified in its entirety by the remainder of this Base Prospectus and the Final Terms relating to the Series of which any Certificate is a part:*

<b>Issuer</b>	Weser Capital Limited. The registered office of the Issuer is at 47 Esplanade, St Helier, Jersey JE1 0BD. The share capital of the Issuer is £10,000 divided into 10,000 shares of £1.00 each of which two shares have been issued and are fully paid up.
<b>Description</b>	US\$30,000,000,000 certificate programme.
<b>Size</b>	Up to US\$30,000,000,000 (or the equivalent in other currencies at the trade date of the relevant Certificates) aggregate principal amount of Certificates outstanding at any one time.
<b>Dealer and Certificate Custodian</b>	Morgan Stanley & Co. International plc
<b>Calculation Agent</b>	Crestbridge Fund Administrators Limited
<b>Paying Agent</b>	The Bank of New York Mellon, London Branch
<b>Registrar</b>	The Bank of New York Mellon SA/NV, Luxembourg Branch
<b>Note Trustee</b>	BNY Mellon Corporate Trustee Services Limited
<b>Security Trustee</b>	BNY Mellon Corporate Trustee Services Limited
<b>Swap Counterparty</b>	Morgan Stanley & Co. International plc
<b>MS Certificate Issuer</b>	Morgan Stanley & Co. International plc
<b>Corporate Administrator</b>	Crestbridge Corporate Services Limited. The registered office of the corporate administrator is at 47 Esplanade, St Helier, Jersey JE1 0BD
<b>Cash Account Bank</b>	The Bank of New York Mellon, London Branch
<b>Status of Certificates</b>	<p>The Certificates of a Series will be issued either as Secured Certificates and Secured Series Custodian Certificates only or Unsecured Certificates and Unsecured Series Custodian Certificates only.</p> <p>The Secured Certificates of each Secured Series (other than Secured Series Custodian Certificates) will be secured limited recourse obligations of the Issuer, ranking <i>pari passu</i> without any preference among themselves and secured in the manner described in "<i>Terms and Conditions of the Certificates – Status, Security and Assets of the Issuer – Mortgaged Property</i>".</p> <p>The Unsecured Certificates of each Unsecured Series (other than the Unsecured Series Custodian Certificates) will be limited recourse obligations of the Issuer, ranking <i>pari passu</i> without any preference among themselves, will not be secured and will have the rights described in "<i>Terms and Conditions of the Certificates – Status, Security and Assets of the Issuer – Unsecured Series Property</i>". Recourse in respect of any Unsecured Series will be limited to the Unsecured Series Property in respect of that Unsecured Series.</p> <p>Recourse in respect of any Series will be limited to the Series Assets in respect of that Series. If the net proceeds of such</p>

Series Assets are not sufficient for the Issuer to make all payments due in respect of the Certificates of that Series, the other assets of the Issuer will not be available for payment of any shortfall arising therefrom. Any such shortfall shall be borne by the Certificateholders of such Series as specified in the relevant Final Terms. The Issuer will not be obliged to make any further payment in excess of such net proceeds and accordingly no debt shall be owed by the Issuer in respect of such shortfall remaining after either (i) in respect of Secured Certificates, realisation of the Mortgaged Property and application of the proceeds in accordance with the Trust Deed or (ii) in respect of Unsecured Certificates, liquidation of the Unsecured Series Property and application of the proceeds in accordance with the Trust Deed. None of the Note Trustee, the Security Trustee, if applicable, or any Certificateholder may take any further action to recover such shortfall. In particular, none of the Note Trustee, the Security Trustee, if applicable, or any holder of Certificates, shall be entitled to institute or join with any other person in bringing, instituting or joining insolvency, winding up or bankruptcy proceedings (whether court based or otherwise) in relation to the Issuer or any of its assets.

**Series Assets**

The general details of the type of Companies and Shares that can form the Series Assets (along with the Cash Account (if any)) are set out in the general description of Companies (see "*Series Assets - Description of the Shares and the Company*") and details of the specific Series Assets that relate to a particular Series will be confirmed in the relevant Final Terms. The Series Assets in respect of a Secured Series will include any Collateral. The Series Assets in respect of an Unsecured Series will include any Underlying Assets. Series Assets of Secured Certificates are referred to as Mortgaged Property. Series Assets of Unsecured Certificates are referred to as Unsecured Series Property.

**Company**

Each entity of a type that conforms to the criteria set out in the general description of Companies (as set out in "*Series Assets - Description of the Shares and the Company*") and in respect of which Certificates linked to the instruments or interests issued by such entity have been issued by the Issuer.

**Shares**

The respective shares or interest in a Company as applicable to the relevant Certificates relating to each particular Series.

**Mortgaged Property**

The Secured Certificates of each Secured Series (other than Secured Series Custodian Certificates) will be secured in the manner set out in the relevant Final Terms and Supplemental Trust Deed, which will include a charge on and/or assignment of and/or other security over or in respect of (i) certain Collateral and all proceeds of, income from and sums arising from such Collateral; (ii) all sums held by the Paying Agent to meet payments due under the Certificates or by the Issuer in relation to the Collateral of such Series; and (iii) the Issuer's right, title and interest under any agreement under which the Issuer enters into the Swap or Swaps and/or by which the Issuer purchases the Collateral in respect of such Secured Series and the Agency Agreement, together with security over such additional property as may be described in the Supplemental Trust Deed in respect of such Secured Series and/or the relevant Final Terms.

## **Unsecured Series Property**

The Unsecured Certificates of each Unsecured Series will not be secured. Instead the Unsecured Certificates (other than the Unsecured Series Custodian Certificates) of an Unsecured Series will rely for their payment on, *inter alia*, and, in the case of (iv) below have the benefit of, the contractual rights of the Issuer in respect of (i) certain Underlying Assets and all proceeds of, income from and sums arising from such Underlying Assets; (ii) all sums held by the Paying Agent to meet payments due under the Unsecured Certificates or by the Issuer in relation to the Underlying Assets of such Unsecured Series; (iii) the Issuer's right, title and interest under any agreement under which the Issuer enters into the Swap or Swaps and/or by which the Issuer purchases the Underlying Assets in respect of such Unsecured Series and the Agency Agreement as may be described in the Trust Deed in respect of such Unsecured Series and/or the relevant Final Terms; and (iv) the rights of the Issuer under other Series of Certificates which limit the recourse of Certificateholders of such other Series.

## **Method of issue of Certificates**

The Certificates will be issued in series (each a "**Series**") on one or more issue dates. Certificates of a Series shall be issued on identical terms (or identical other than in respect of the issue date), the Certificates of each Series being intended to be interchangeable with all other Certificates of that Series (other than the Custodian Certificates).

Certificates (whether Secured Certificates or Unsecured Certificates) in a Series will be constituted by one or more Supplemental Trust Deeds for such Series. Secured Certificates in a Secured Series will also be secured pursuant to such Supplemental Trust Deed for such Secured Series. Each Supplemental Trust Deed will be supplemental to the Principal Trust Deed, which contains the provisions common to all Series of Certificates. The Supplemental Trust Deed for a single Series together with the Principal Trust Deed (together, the "**Trust Deed**" for a Series) will contain all the provisions for the issuance of the Certificates of such Series.

## **Issuance of a Series**

On the first Issue Date of a Series:

1. the Issuer will issue the maximum number of Certificates available in such Series (as set out in the Final Terms) at a price per certificate as set out in the Final Terms for such Certificates;
2. the Dealer will pay to the Issuer the amount set out in the Final Terms (such amount being the product of (i) the maximum amount of Certificates of such Series and (ii) the price per Certificate therefor);
3. the Issuer will repurchase from the Dealer such amount of Certificates that are not being sold by the Dealer to investors on the first Issue Date of such Series at a price per Certificate as set out in the Final Terms (such price being the same as the price that the Issuer issues the issue of Certificates under 1. above); and
4. the Issuer will pay to the Dealer the amount set out in the Final Terms (such amount being the product of (i) the amount of Certificates that are not being sold by the Dealer to investors on the first Issue Date and (ii)

the price per Certificate therefor).

The payments due from the Dealer to the Issuer and from the Issuer to the Dealer will be netted. The Certificates of such Series so repurchased will be held by the Certificate Custodian on behalf of the Issuer.

### **Price of Certificates**

All Certificates of a Series will be issued with each having a nominal amount of US\$1.00 (or its equivalent in other currencies rounded upwards as agreed between the Issuer and the Dealer). The price per Certificate will equal the share price of the Shares. The minimum value of Certificates of a Series that can be subscribed for by an investor or transferred by a Certificateholder (other than for transfers to the Certificate Custodian) shall be an amount in US\$ (or the equivalent in other currencies) such that the equivalent amount in Euros as at the date of such subscription or transfer shall be €100,000.

An existing Certificateholder may subsequently subscribe for any number of additional Certificates. If a new subscriber were to purchase Certificates on a date other than the issue date for such certificates from the Issuer or through the secondary market, then such subscriber will have to subscribe for a sufficient number of Certificates so that the purchase price payable therefor will be the US\$ equivalent (or the equivalent in other currencies), at such time, of €100,000 or more.

### **Currencies**

Subject to compliance with all relevant laws, regulations and directives, Certificates may be issued in any currency as the Issuer and the Dealer may agree.

### **Maturity**

The Certificates of a Series are expected to mature on the Maturity Date of such Series but will be subject to mandatory redemption in full in the circumstances described below and in Condition 7. The Certificates of a Series may also be repurchased by the Issuer as described below.

The Maturity Date for a Series will be specified in the Final Terms for such Series. No payments will be due on the Certificates prior to the Maturity Date other than upon the occurrence of a Mandatory Redemption Event, a voluntary repurchase of the Certificates by the Issuer from the Dealer or an Event of Default prior to the Maturity Date.

Upon the occurrence of a Mandatory Redemption Event or an Event of Default and on the Maturity Date, all outstanding Certificates are expected to be redeemed in an amount per Certificate equal to the Certificate Redemption Amount on such date.

With respect to the Maturity Date the Issuer will request the realisation of the Shares and/or MS Certificates and/or request payments under the Swap or Swaps, if applicable, in sufficient time to allow the Company to redeem or realise the underlying assets by the Maturity Date so that the only amount payable in respect of the Certificates on the Maturity Date shall be the Certificate Redemption Amount. If a Fixed Maturity Date is specified in the Final Terms, and if any amounts are received by the Issuer after the Maturity Date then such amounts shall be retained by the Issuer and available to be distributed to ExcelEdge Holdings Limited for the benefit of the ExcelEdge Limited Trust. If a Scheduled

Maturity Date is specified in the Final Terms, then if the Issuer has not received by such Scheduled Maturity Date (a) the full cash proceeds of redemption of the Shares and/or the MS Certificates and/or payments under the Swap or Swaps, if applicable, (b) in the context of a redemption of the Shares due to be effected in kind, the cash proceeds of disposal or redemption of the assets underlying the Shares or (c) any other form of liquidation of the Shares, the Maturity Date shall be the twentieth Business Day following such receipt.

## **Custodian Certificates**

All Certificates of a Series repurchased by the Issuer on the Issue Date of such Series shall be Custodian Certificates for so long as they are held by the Certificate Custodian on behalf of the Issuer and either (a) for so long as the Certificates of such Series are held through a clearing system, shall be held in the Certificate Custodian's client account at the applicable clearing system or (b) if the Certificates of such Series are no longer held through a clearing system due to an Exchange Event (see "*Summary of Provisions Relating to the Certificates while Represented by the Global Certificate – Exchange of Global Certificates for Definitive Certificates*"), shall be represented by a global certificate (the "**Custodian Global Certificate**") held by the Certificate Custodian. While held through a clearing system, the Custodian Certificates will be included in the total number of Certificates issued through such clearing system, will be classed as Certificates by the applicable clearing system, but the Certificate Custodian will renounce all rights that Certificates have and will notify the clearing system accordingly. Such clearing system will treat the Certificates held in the Certificate Custodian's client account as not having any rights while they are held in the Certificate Custodian's client account and will only have the same rights as other Certificates upon transfer to a new investor.

Custodian Certificates in respect of Secured Certificates are referred to as "**Secured Series Custodian Certificates**". Custodian Certificates in respect of Unsecured Certificates are referred to as "**Unsecured Series Custodian Certificates**".

Custodian Certificates carry no voting rights, do not bear interest and no amount of principal or interest is payable thereon and are not secured by any property. Custodian Certificates are held by the Certificate Custodian on behalf of the Issuer either (a) for so long as an Exchange Event has not occurred, through the Certificate Custodian's client account at a clearing system or (b) following an Exchange Event, through the Custodian Global Certificate.

On each date on which Custodian Certificates are sold by the Issuer to the Dealer:

- (a) in the case of Certificates that continue to be held through a clearing system, the Certificate Custodian shall transfer, in accordance with the applicable clearing system's transfer procedures, such number of Certificates being sold that are held in the Certificate Custodian's client account to the Dealer's trading account at the applicable clearing system. The applicable clearing system will carry out such transfer in accordance with its standard transfer procedures and book entries will be effected within such clearing

system, such that the total number of Certificates held by the Certificate Custodian in the Certificate Custodian's client account will have been reduced by the number of Certificates by which the number of Certificates held by the Dealer in the Dealer's trading account (and then ultimately by the applicable participants, in the clearing system, for the new investors) have been increased. Such Certificates transferred by the Certificate Custodian through the clearing system will, upon transfer, cease to be treated as 'Custodian Certificates' and the clearing system shall note in its book entries that such transferred Certificates then have all the rights that other Certificates have. Morgan Stanley, as both Dealer and as the Certificate Custodian shall note in its records (outside of the clearing system) the number of Custodian Certificates transferred and the total number of Custodian Certificates remaining; or

- (b) in the case of Certificates that are no longer held through a clearing system due to the occurrence of an Exchange Event, the Custodian Global Certificate shall be written down and the number of Certificates registered in the Register shall be increased by the same number (and the names of the new Certificateholders shall be included on the Register or the number of Certificates held by an existing Certificateholder will be increased accordingly) such that, after such write-down and increase have taken place in accordance with the provisions of the Agency Agreement and the applicable Trust Deed, the total number of Custodian Certificates will have been reduced by the total number of Certificates by which the number of Certificates registered in the Register have been increased. The Custodian Certificates resold to the Dealer will upon resale cease to be Custodian Certificates and will be registered in the Register in the name of the Certificateholders or the number of Certificates held by an existing Certificateholder will be increased accordingly. Such Certificates will carry all of the rights which the existing Certificates carry.

Custodian Certificates shall be issued at the price set out in the relevant Final Terms.

### **Fungible Increases**

On any Business Day after the Issue Date of a Series, the Issuer may sell, via the Dealer, to existing or new Certificateholders further Certificates in such Series on the next Company Investment Subscription Date subject to the following conditions, provided that for such Series:

- (a) the company that the proceeds of such Series are invested in (the "**Company**") continues to accept new subscription requests for the amount of Shares which may be purchased using the proceeds of sale of such Custodian Certificates;
- (b) the Calculation Agent has confirmed that the Issuer is expected, on the next Company Investment Subscription Date, to have a sufficient number of Custodian Certificates available for purchase to meet

such request;

- (c) the Subscription Conditions Precedent have been satisfied; and
- (d) the Requested Fungible Notional is equal to or greater than the US\$ equivalent (or the equivalent in other currencies), at such time, of €100,000 (or such other greater amount as may be agreed between the Calculation Agent and the Dealer).

On any Business Day on which the Dealer has requested the sale of Custodian Certificates, the Issuer will direct the Certificate Custodian to sell to the Dealer for on-sale to the existing or new Certificateholders and the Dealer will agree to purchase on the next Company Investment Subscription Date such number of Custodian Certificates as the Calculation Agent may in its sole discretion determine following publication of the Share NAV on the relevant Company Investment Subscription Date and the Dealer will pay to the Certificate Custodian no later than 2pm two Company Business Days prior to such Company Investment Subscription Date an amount equal to the Requested Fungible Notional and the Certificate Custodian will remit such amount promptly to the Company and/or the MS Certificate Issuer and/or the Swap Counterparty, if applicable, on behalf of the Issuer.

The Custodian Certificates being sold will be sold to the Dealer at the Certificate Price as of the relevant Company Investment Subscription Date and will cease to be Custodian Certificates as of such date.

**Company Investment  
Subscription Date**

Means, in relation to a request for sale of further Certificates to the Dealer, the second Company Business Day following the date on which such request has been received by the Issuer

**Subscription Conditions  
Precedent**

The conditions precedent to the issue of the Certificates and purchase of Custodian Certificates on a Company Investment Subscription Date as set out in the Dealer Agreement

**Mandatory Early Redemption**

If:

- (a) at any time prior to the Maturity Date, if it is specified in the relevant Final Terms that the Issuer may determine in its sole discretion to redeem all Certificates and the Issuer so determines;
- (b) at any time prior to the Maturity Date, the Calculation Agent determines that an Early Termination Event (as defined in "*Terms and Conditions of the Certificates*") has occurred which it does not waive; or
- (c) at any time prior to the Maturity Date, an additional Early Termination Event as set out in the relevant Final Terms for such Certificates occurs

(each a "**Mandatory Redemption Event**") then all of the Certificates which are in issue at such time will be redeemed and the remaining Custodian Certificates will be cancelled in accordance with the process described below.

If, at the time of such Mandatory Redemption Event, there were purchasers who were to purchase new Certificates on a

date after the occurrence of the Mandatory Redemption Event and consequently the Dealer was to request a transfer of Custodian Certificates, then such transfer of Custodian Certificates shall be cancelled and the subscription for new Certificates shall not take place.

Upon mandatory redemption, the Certificates will be redeemed in an amount per Certificate equal to the Net Realised Share NAV for each Share realised and/or MS Certificates realised referencing such Shares and/or payments under the applicable Swap or Swaps referencing such Shares, if applicable, to effect the redemption of such Certificate (the "**Certificate Redemption Amount**").

Upon the occurrence of a Mandatory Redemption Event, the Issuer shall give not more than two Company Business Days' prior notice (or such other notice period as indicated in the Trust Deed for such Certificates) of the date of such mandatory redemption (the "**Redemption Date**") to the Note Trustee, the Account Bank (if applicable), the Certificateholders and the Paying Agent (which notice shall be irrevocable). The Issuer will pay any amount due and payable to the Note Trustee and/or the Security Trustee and/or the Agents, to the extent not paid pursuant to the Expenses Agreement, and then redeem the Certificates in an amount per Certificate equal to the Certificate Redemption Amount on the date falling two Company Business Days after the Redemption Date (or such other number of days specified in the Final Terms) subject to the Issuer having received the proceeds of realisation of the Shares and/or MS Certificates and/or payments under the applicable Swap or Swaps, if applicable, one Company Business Day after such Redemption Date. If receipt of the proceeds of realisation of the Shares and/or the MS Certificates and/or payments under the Swap, if applicable, is delayed the redemption of the Certificates will be effected within two Company Business Days of receipt thereof. For the avoidance of doubt, the redemption of the Certificates is contingent on the Issuer receiving proceeds of realisation of the Shares and/or MS Certificates and/or payments under the applicable Swap. If the Issuer subsequently receives, within 60 days of the Redemption Date, further amounts from the Company from the realisation of Shares and/or the Swap Counterparty under the Swap and/or the MS Certificate Issuer pursuant to the MS Certificates, in each case if applicable, in respect of such Certificates, then the Issuer will pay to the former Certificateholders their pro rata share of any such amounts. Such a situation could occur if the Company has invested in assets with limited liquidity.

#### **Early redemption**

Certificateholders do not have any right to request an early redemption of the Certificates other than as a result of an Event of Default or a Mandatory Redemption Event in accordance with the Terms and Conditions of such Certificates.

#### **Early repurchase**

If a Certificateholder or Certificateholders request repurchase by the Dealer and the Dealer requests the Issuer to repurchase on no less than one Company Business Day's notice, the Issuer may agree in its sole discretion to repurchase one or more Certificates on a Company Business Day (each, a "**Purchase Date**").



To effect such repurchase, on the date on which the Issuer receives notice of such repurchase request, the Calculation Agent will request the Company to redeem a number of Shares and/or MS Certificates and/or request the Swap Counterparty make a payment under the Swap, in each case, in respect of a number of Shares equal to the number of Certificates being repurchased by the Issuer or, if Transaction Fees are paid using "Method C" or (in the case of unlisted Certificates only) "Method D", such number of Shares and/or MS Certificates and/or payment amount under the Swap as determined by the Calculation Agent in its sole discretion.

The Certificates repurchased on such Purchase Date shall be repurchased in an amount per Certificate equal to the Certificate Buy-back Amount.

Payment will be made to the Certificateholders two Company Business Days after the Purchase Date (or such other number of days as specified in the Final Terms) subject to the Issuer having received the proceeds of realisation of the Shares and/or the MS Certificates and/or payments under the Swap, if applicable, one Company Business Day after such Purchase Date. If receipt of the proceeds of realisation of the Shares and/or the MS Certificates and/or payments under the Swap, if applicable, is delayed the repurchase of the Certificates will be effected within two Company Business Days of receipt thereof by the Issuer.

If, in respect of any Certificates repurchased prior to the Maturity Date, the Issuer subsequently receives, within 60 days of the Purchase Date of such Certificates, further amounts from the Company from the realisation of Shares and/or the MS Certificate Issuer from the realisation of the MS Certificates and/or the Swap Counterparty under the Swap, if applicable, in respect of such Certificates, then the Issuer will pay to the former Certificateholders their pro rata share of any such amounts. Any amounts received by the Issuer from the Company, the MS Certificate Issuer or the Swap Counterparty after such 60 days will be retained by the Issuer. Such a situation could occur if the Company has invested in assets with limited liquidity.

All Certificates repurchased by the Issuer may at the option of the Issuer be cancelled, in which case the obligations of the Issuer in respect of such Certificates shall be discharged. Absent such cancellation and notwithstanding any other provision of the Conditions, the Certificates repurchased by the Issuer shall be held by the Certificate Custodian on the Issuer's behalf and become Custodian Certificates.

On each date on which Certificates are repurchased by the Issuer from the Dealer:

- (a) in the case of Certificates that are not cancelled as referred to above and continue to be held through a clearing system, the Dealer shall transfer, in accordance with the applicable clearing system's transfer procedures, such number of Certificates being repurchased that are held in the Dealer's trading account to the Certificate Custodian's client account at the applicable clearing system. The applicable clearing system will carry out such transfer in

accordance with its standard transfer procedures and book-entries will be affected within such clearing system, such that the total number of Certificates held by the Certificate Custodian in the Certificate Custodian's client account will have been increased by the total number of certificates by which the number of Certificates held by the Dealer in the Dealer's trading account (which had previously been transferred to the Dealer by the applicable participants, in the clearing system, for the investors that are requesting such repurchase) have been increased. Such Certificates transferred to the Certificate Custodian through the clearing system will, upon transfer, be treated as 'Custodian Certificates' and the clearing system shall note in its book-entries that such transferred Certificates no longer have the rights that other Certificates have. Morgan Stanley, as both Dealer and as the Certificate Custodian shall note in its records (outside of the clearing system) the number of Custodian Certificates transferred to it and the new total number of Custodian Certificates; or

- (b) in the case of Certificates that are not cancelled as referred to above and are no longer held through a clearing system due to the occurrence of an Exchange Event, the number of Certificates registered in the Register shall be decreased (and the names of the applicable Certificateholders removed from the Register or the size of their holdings decreased) and the Custodian Global Certificate marked up by the same number such that, after such decrease and mark-up have taken place in accordance with the provisions of the Agency Agreement and the applicable Trust Deed, the total number of Custodian Certificates will have been increased by the total number of Certificates by which the number of Certificates registered in the Register has decreased.

#### **Interest on Certificates**

The Certificates will not bear interest.

#### **Transaction Fees**

The Final Terms for a Series will specify the method of payment of the Transaction Fees. Transaction Fees may be (i) paid outside of the transaction ("**Method A**"), (ii) paid from the Series Assets at the redemption of such Series ("**Method B**"), (iii) paid from the Series Assets on a regular basis during the life of such Series ("**Method C**") or (iv) in the case of Series not listed on Euronext Dublin, some other method specified in the Final Terms ("**Method D**").

#### **Restrictions and covenants**

So long as any of the Certificates remains outstanding, the Issuer will not declare any dividends (other than a dividend of up to US\$750 per Series or other series under alternative programmes of the Issuer), have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property, consolidate or merge with any other person, convey or transfer its properties or assets substantially as an entity to any person (other than as contemplated by the Conditions) or issue any shares (other than such shares as were in issue on 29 May 2012).

The Issuer may from time to time (without the consent of the Certificateholders) issue further certificates, subject to the

conditions precedent set out in Conditions 18(a) and (b).

**Cross default**

None.

**Withholding tax**

In the event a withholding or deduction is required by law, the Issuer shall pay net of the relevant taxes. A Certificateholder must pay all Certificateholder Expenses relating to a Certificate held by or being exercised by it as a condition precedent to receiving any amount in respect of the Certificates and the Issuer is entitled to deduct all relevant Certificateholder Expenses from any such payment to be made by it under the Certificates.

**Initial delivery of Certificates**

The Certificates of each Series will be issued in registered form, serially numbered for such Series and initially, and for so long as an Exchange Event has not occurred, will be held through a clearing system and represented by a Global Certificate.

The Certificates of a Series will initially be represented by interests in a global certificate (a "**Global Certificate**"), registered in the Register in the name of a nominee for the common depositary of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and the Global Certificate shall be deposited with the Common Depositary).

Global Certificates may also be deposited with any other clearing system. Certificates will be registered in the name of nominees or a common nominee for such clearing systems.

**Limited Recourse and Non-Petition**

The Secured Certificates (other than the Secured Series Custodian Certificates) comprise secured, limited recourse obligations of the Issuer. The Unsecured Certificates (other than the Unsecured Series Custodian Certificates) comprise limited recourse obligations of the Issuer.

In respect of a Series, the Certificateholders shall have recourse only to the Series Assets of such Series, (subject, solely in the case of Secured Certificates, always to the Security), and not to any other assets of the Issuer. Claims by Certificateholders of a particular Secured Series (the "**Secured Certificateholders**") and any other secured creditor will be limited to the Mortgaged Property of such Secured Series. Claims by Unsecured Certificateholders of a particular Unsecured Series and any other unsecured creditors will be limited to the Unsecured Series Property of such Unsecured Series.

If, after the Series Assets for a Series has been exhausted (in the case of Secured Certificates, pursuant to enforcement of the Security and in the case of Unsecured Certificates, following all necessary processes) and following the application of the available cash sums derived therefrom in accordance with Condition 4(h) of the Certificates and the Trust Deed, any outstanding claim against the Issuer in respect of the Certificates of such Series remains unpaid, then such outstanding claims will be extinguished and no debt will be owed by the Issuer in respect thereof.

Following such extinguishment, none of the Note Trustee, the Security Trustee (if applicable), the Certificateholders or any other person acting on behalf of any of them shall be entitled to take any further steps against the Issuer or any of its officers, shareholders, corporate service providers or directors

to recover any further sum in respect of the extinguished claim and no debt shall be owed to any such persons by the Issuer in respect of such further sum in respect of such Series.

None of the Note Trustee, the Security Trustee (if applicable), the Certificateholders or any person acting on behalf of any of them may at any time institute, or join with any other person in bringing, instituting or joining insolvency, administration, bankruptcy, winding-up, examinership or any other similar proceedings (whether court-based or otherwise) in relation to the Issuer or any of its assets, and none of them shall have any claim arising with respect to the assets and/or property attributable to any other certificates issued by the Issuer (save for any further certificates which form a single series with the Certificates).

Such limited recourse and non-petition provisions shall survive maturity of the Certificates and the expiration or termination of the Trust Deed.

**Clearing Systems**

Clearstream, Luxembourg, Euroclear and, in relation to any Series, such other clearing system as may be agreed between the Issuer and the Dealer.

**Governing law**

English.

**Listing of Certificates**

Application will be made for certain Series of Certificates to be listed on Euronext Dublin.

**Selling restrictions**

United States, United Kingdom, European Economic Area, Germany, Jersey, Ireland and any other restrictions relevant to any Series. See "*Subscription and Sale and Selling Restrictions*".

**Transfer restrictions**

There are restrictions on the transfer of Certificates. See Condition 3(a) below.

**Use of proceeds**

The net proceeds of sale of the Certificates of a Series and of any other Custodian Certificates will be used by the Issuer to acquire shares or interests in a company or fund (the "**Shares**") at their prevailing net asset value pursuant to the subscription booklet for such Company and/or acquire MS Certificates and/or enter into a Swap or Swaps with the Swap Counterparty. The assets of the Company relating to the Shares will be invested by such Company. If Method C or Method D is specified for the payment of Transaction Fees, then the Issuer may deposit any amount specified in the relevant Final Terms into the Cash Account on the Issue Date for such Certificates.

**Members**

Means a party that has acquired Shares in a Company or a party that is entitled to exercise the rights of such party in relation to those Shares, as applicable.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Certificates issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any contingency highlighted by a risk factor occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Certificates issued under the Programme, but the inability of the Issuer to pay principal or other amounts on or in connection with any Certificates may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Certificates are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **General**

#### **The Certificates**

The Certificates are complex instruments that involve substantial risks and are suitable only for sophisticated investors who have sufficient knowledge and experience and access to such professional advisers as they shall consider necessary in order to make their own evaluation of the risks and the merits of such an investment (including without limitation the tax, accounting, credit, legal, regulatory and financial implications for them of such an investment) and who have considered the suitability of such Certificates in light of their own circumstances and financial condition. Prospective investors should ensure that they understand the nature of the risks posed by an investment in the Certificates, and the extent of their exposure as a result of such investment in the Certificates and, before making their investment decision, should consider carefully all of the information set forth in this Base Prospectus, any applicable Supplements and the applicable Final Terms and, in particular, the considerations set forth below. Owing to the structured nature of the Certificates, their price may be more volatile than that of unstructured securities.

#### **Investors**

Each prospective investor in Certificates should have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including where principal may reduce or be lost in its entirety as a result of the occurrence of different events whether related to the creditworthiness of any entity or otherwise or changes in particular rates, prices or indices, or where the currency for principal payments is different from the prospective investor's currency.

Investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its professional advisers to determine whether and to what extent (i) the Certificates are legal investments for it, and/or (ii) other restrictions apply to its purchase or, if relevant, pledge of any Certificates. Financial institutions should consult their professional advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

The redemption amounts payable under the Certificates of a Series are determined by reference to the amount of redemption proceeds which would be received in respect of a series of Shares of the relevant Company after payment, if applicable, of any Transaction Fees. Potential investors should be aware that:

- (a) the market price of the Certificates may be volatile;
- (b) payment of principal may occur at a different time than expected;
- (c) they may lose all or a substantial portion of their principal;
- (d) the Shares may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or indices;
- (e) the timing of changes in the value of Shares may affect the actual yield to investors.

Each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in the Certificates and the suitability of such Certificates in light of its particular circumstances.

### **No fiduciary role**

None of the Issuer, the Dealer or any of the other parties to the Relevant Agreements (the "**Series Transaction Parties**") or any of their respective affiliates is acting as an investment adviser, and none of them (other than the Note Trustee under the applicable Trust Deed in respect of the Certificateholders only) assumes any fiduciary obligation to any purchaser of Certificates or any other party, including the Issuer. In respect of each Series the Note Trustee holds the benefit of the Issuer's covenant to pay on trust for the Certificateholders of such Series pursuant to the Trust Deed and has certain fiduciary duties towards the Certificateholders such as its duty to act in good faith and not to make an unauthorised profit.

None of the Issuer, the Dealer or any of the other Series Transaction Parties assumes any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any issuer or obligor of any Collateral or the terms of any Collateral.

Investors may not rely on the views or advice of the Issuer, the Dealer or any of the other Series Transaction Parties in respect of any Series for any information in relation to any person other than the entity giving the views or advice.

### **No reliance**

A prospective purchaser may not rely on the Issuer, the Dealer or any of the other Series Transaction Parties in respect of any Series or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Certificates or as to the other matters referred to above.

### **No representations**

None of the Issuer, the Dealer or any of the other Series Transaction Parties in respect of any Series makes any representation or warranty, express or implied, in respect of any Collateral or Underlying Assets, as applicable, or any issuer or obligor of any Collateral or Underlying Assets, as applicable, or in respect of any information contained in any documents prepared, provided or filed by or on behalf of any such issuer or obligor or in respect of such Collateral or such Underlying Assets, as applicable, with any exchange, governmental, supervisory or self regulatory authority or any other person.

None of the Issuer, the Dealer or any of the other Series Transaction Parties makes any representation or warranty in respect of the Collateral or Underlying Assets, as applicable.

### **Certificates obligations of the Issuer only**

The Certificates will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any of Morgan Stanley & Co. International plc, its affiliates or any other party named in this Base Prospectus and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Certificates.

### **Change of law**

The Conditions, the issue of the Certificates and the ratings which may be assigned (if applicable) to the Certificates are based on English law in effect as at the date of issue of the Certificates. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Certificates.

### **Risks relating to the Issuer**

#### **The Issuer is a special purpose vehicle**

The Issuer's sole business is the raising of money by issuing Certificates for the purposes of purchasing assets and entering into related contracts and the Swaps. The Issuer has covenanted (amongst other things) not to, as long as any Certificate remains outstanding, without the consent of the Note Trustee engage in any activity or business except as provided or contemplated by the Certificates, the Custodian Certificates, the Relevant Agreements and the Alternative Programme Agreements and to perform any acts incidental to or necessary in connection therewith, or any act required by law, regulation or order of any court to be performed. In addition, the Issuer will be subject to certain other restrictions (as set out in Condition 4) including, but not limited to, that it will not, without the consent of the Note Trustee declare or pay any dividend (other than a dividend of up to US\$750 per Series or other series under alternative programmes of the Issuer) or make any other distribution to the holders of any of its shares or have formed or cause to be formed by subsidiaries or have any employees purchase, own, lease or otherwise acquire any real property, consolidate or merge with or into any other person, or convey or transfer its properties or assets substantially in their entirety to any other person, or use, invest, sell, transfer, exchange, factor, assign, lease, hire out, lend or dispose of, or otherwise deal with any of its property or any interests therein or create or permit to edict upon or effect any mortgage, charge, pledge, lien or other encumbrance whether fixed or floating or otherwise upon the whole or any part of its property or assets (other than as contemplated by the Conditions and/or the Trust Deeds), issue any further shares or issue any warrants or options in respect of shares or securities convertible units or exchangeable for shares. As such, the Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of Certificates from time to time, any Series Assets, any other assets on which Secured Certificates are secured and any other assets contemplated by the Alternative Programme Agreements. There is no day-to-day management of the business of the Issuer.

#### **Regulation of the Issuer by any regulatory authority**

Other than consent to the circulation of this Base Prospectus given by the Jersey Registrar and consent to the issuance of the Certificates given by the Commission,

and unless otherwise specified for a Series of Certificates, the Issuer is not required to be licensed, registered or authorised under any current securities, commodities, insurance or banking laws or regulations of its jurisdiction of incorporation. There is no assurance, however, that in the future such regulatory authorities would not take a contrary view regarding the applicability of any such laws or regulations to the Issuer. There is also no assurance that the regulatory authorities in other jurisdictions would not require the Issuer to be licensed or authorised under any securities, commodities, insurance or banking laws or regulations of those jurisdictions. Any requirement to be licensed or authorised could have an adverse effect on the Issuer and on the holders of the Certificates.

### **Registration of the Issuer under the Investment Company Act**

The Issuer has not registered with the U.S. Securities and Exchange Commission as an investment company pursuant to the Investment Company Act. If the U.S. Securities and Exchange Commission or a court of competent jurisdiction were to find that the Issuer is required but, in violation of the Investment Company Act, had failed to register as an investment company, possible consequences include, but are not limited to the following: (i) the U.S. Securities and Exchange Commission could apply to a district court to enjoin the violation; (ii) investors in the Issuer could sue the Issuer and recover any damages caused by the violation; and (iii) any contract to which the Issuer is party that is made in, or whose performance involves a, violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer would be materially and adversely affected.

### **Anti-money laundering**

The Issuer may be subject to anti-money laundering legislation. If the Issuer were determined by the relevant authorities to be in violation of any such legislation, it could become subject to substantial criminal penalties. Any such violation could materially and adversely affect the timing and amount of payments made by the Issuer to Certificateholder in respect of the Issuer's Certificates.

### **Information Reporting**

On 9 December 2014, the EU Council adopted Council Directive 2014/107/EU (amending Council Directive 2011/16/EU) on the mandatory automatic exchange of information in the field of taxation to implement the OECD measures known as the "**Common Reporting Standard**". Member States were required to implement this Directive in respect of taxable periods from 1 January 2016 and to begin exchanging information pursuant to such Directive no later than 30 September 2017 (subject to deferral under transitional rules in the case of Austria).

On 27 May 2015, the EU and Switzerland signed a Protocol amending their existing agreement relating to the taxation of savings income and transforming it into an agreement on automatic exchange of financial account information based on the Common Reporting Standard. The revised agreement also takes into account the provisions of the aforementioned Directive 2014/107/EU. The previous EU-Switzerland agreement relating to the taxation of savings income continued to be operational until 31 December 2016. From 1 January 2017, financial institutions in the EU and Switzerland commenced the due diligence procedures envisaged under the new agreement to identify customers who are reportable persons, i.e. for Switzerland,



residents of any EU Member State. By September 2018, the national authorities will report the financial information to each other.

The UK also has its own tax information exchange legislation similar to FATCA (in relation to which see below) with the Crown Dependencies and Overseas Territories ("**CDOT**"). The Common Reporting Standard has replaced the CDOT reporting on a phased basis. Reporting related to the CDOT jurisdictions in respect of 2018 and subsequent years will be under the Common Reporting Standard.

On 10 November 2015, the EU Council adopted Council Directive 2015/2060/EU, repealing EC Council Directive 2003/48/EC ("**Savings Directive**") on the taxation of savings income with effect from 1 January 2016 (or 1 January 2017 in the case of Austria), subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates. The repeal of the Savings Directive is intended to prevent overlap between the Savings Directive and the Common Reporting Standard.

Investors who are in any doubt as to their position should consult their professional advisers.

### **U.S. Foreign Account Tax Compliance Withholding and other similar withholdings**

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**"), the Issuer and other non-U.S. financial institutions through which payments on the Certificates are made ("**paying agents**") may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2018 in respect of (i) any Certificates issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register and (ii) any Certificates which are treated as equity for U.S. federal tax purposes, whenever issued. Under existing guidance, this withholding tax may be triggered on payments on the Certificates if (i) the Issuer or paying agent is a foreign financial institution ("**FFI**") (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Issuer a "**Participating FFI**"), (ii) the Issuer or paying agent is required to withhold on "foreign passthru payments", and (iii) either (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether that investor is subject to withholding under FATCA, or (b) any FFI to or through which payment on such Certificates is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to interest, principal or other amounts paid with respect to the Certificates is not clear. In particular, the United Kingdom and Jersey have each entered into "Model 1" intergovernmental agreements (each an "**IGA**") with the United States, to help implement FATCA for certain entities in the United Kingdom and Jersey respectively. The full impact of such agreements on the Issuer and the Issuer's reporting and withholding responsibilities under FATCA, and on UK paying agents and their reporting and withholding responsibilities under FATCA, is unclear. However, pursuant to FATCA and the "Model 1" IGAs, an FFI in an IGA signatory country is expected to be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments it makes. The Issuer may still be required to report certain information on its U.S. account holders (if any) to the

government of Jersey, and any UK paying agents may still be required to report certain information on their U.S. account holders (if any) to the government of the United Kingdom, in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable law of Jersey and the United Kingdom respectively. It is also not yet certain how the United States and the United Kingdom and the United States and Jersey will address withholding on "foreign passthru payments" (which may include payments on the Certificates) or if such withholding will be required at all.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Certificates as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the terms and conditions of the Certificates, be required to pay additional amounts as a result of the deduction or withholding. As a result, if FATCA withholding were to apply to payments on the Certificates, investors may receive less interest or principal than they would otherwise receive.

The application of FATCA to Certificates issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register (or whenever issued, in the case of Certificates treated as equity for U.S. federal tax purposes) may be addressed in a supplement to this Prospectus, as applicable.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE CERTIFICATES AND THE HOLDERS OF CERTIFICATES IS UNCERTAIN AT THIS TIME. EACH HOLDER OF CERTIFICATES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND ADVICE ON HOW FATCA MIGHT AFFECT IT IN ITS PARTICULAR CIRCUMSTANCES.

Different and potentially obligatory disclosure requirements may be imposed on holders of Certificates as a result of any of the tax information exchange provisions referred to above.

## **Risks relating to the Certificates**

### **Limited recourse obligations**

In respect of a Secured Series, the Secured Certificates (other than the Secured Series Custodian Certificates) are direct, secured, limited recourse obligations of the Issuer payable solely out of the Mortgaged Property over which security is given by the Issuer in favour of the Security Trustee on behalf of the Secured Certificateholders and other secured creditors. In respect of an Unsecured Series, the Unsecured Certificates (other than the Unsecured Series Custodian Certificates) are direct, limited recourse obligations for the Issuer payable solely out of the Unsecured Series Property. The Issuer will have no other assets or sources of revenue available for payment of any of its obligations under the Certificates. No assurance can be made that the proceeds available for the payment of the amounts due to the Note Trustee, the Security Trustee and the Agents (to the extent not paid pursuant to the Expenses Agreement) and the proceeds available for and allocated to the repayment of the Certificates at any particular time will be sufficient to cover all amounts that would otherwise be due and payable to the Note Trustee, the Security Trustee and the Agents (to the extent not paid pursuant to the Expenses Agreement) and under the Certificates. If, in the case of Secured Certificates, the proceeds of the realisation of the Security received by the Security Trustee or, in the case of Unsecured Certificates, the proceeds of liquidation of the Unsecured Series Property for the benefit of the Certificateholders prove

insufficient to make payments on the Certificates, in respect of which payment is due, no other assets will be available for payment of the deficiency, and, following distribution of the proceeds of such realisation or liquidation, any outstanding claim against the Issuer in relation to the Certificates shall be extinguished and no debt shall be owed by the Issuer in respect thereof.

Further, only the Note Trustee may pursue remedies available under the Trust Deed as it may think fit to enforce the rights of the creditors under the Trust Deed and the Conditions and in the case of Secured Certificates, only the Security Trustee may enforce the Security, and none of the Certificateholders, any creditor or any Series Transaction Party shall be entitled to proceed directly against the Issuer unless the Note Trustee or the Security Trustee, as applicable, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable period and such failure is continuing.

The Unsecured Series Property of an Unsecured Series will not be ring fenced against the claims of other creditors by virtue of having the benefit of any security. There can be no guarantee that unspecified third parties will not make any claims against any Unsecured Series Property and that any Unsecured Series Property will be available to meet the claims of the Unsecured Certificateholders of the Unsecured Series at any time.

The Issuer is subject to certain restrictive covenants that limit its permitted activities with a view to avoiding the existence of any creditors of the Issuer that have not agreed to limited recourse and non-petition provisions. However, there can be no guarantee that there will not be any creditors of the Issuer that have not agreed to limited recourse and non-petition or that such creditors would not be successful in making and enforcing claims against the Issuer. Any such claim could result in the Unsecured Series Property not being sufficient to meet the claims of the Unsecured Certificateholders.

No person other than the Issuer will be obliged to make payments on the Certificates.

### **Note Trustee and Security Trustee indemnity**

In certain circumstances, the Certificateholders of a Series may be dependent on the Note Trustee or (solely in the case of Secured Certificates) the Security Trustee to take certain actions in respect of a Series of Certificates, in particular if the Security (if applicable) in respect of such Series becomes enforceable under the Conditions. Prior to taking such action, the Note Trustee and/or the Security Trustee (if applicable) is entitled to require to be indemnified and/or secured and/or prefunded to its satisfaction. If the Note Trustee or the Security Trustee is not indemnified and/or secured and/or prefunded to its satisfaction it may not be bound to take such action and such inaction will not constitute a breach by it of its obligations under the Trust Deed. Consequently, the Certificateholders may have to either arrange for such indemnity and/or security or accept the consequences of such inaction by the Note Trustee or the Security Trustee. Certificateholders should be prepared to bear the costs associated with any such indemnity and/or security and/or prefunding and/or the consequences of any such inaction by the Note Trustee or the Security Trustee. Such inaction by the Note Trustee or the Security Trustee will not entitle Certificateholders to take action directly against the Issuer to pursue remedies for any breach by the Issuer of the Trust Deed or the Certificates (although the events giving rise to the need for Note Trustee or Security Trustee action might also permit the Certificateholders to exercise certain rights directly under the Conditions).

## Priority of Claims

During the term of the Certificates and in the case of Secured Certificates on an enforcement of the Security, the rights of the Certificateholders to be paid amounts due under the Certificates will be subordinated to (i) payment or satisfaction of, or provision for, the fees, costs, charges, expenses and liabilities incurred by the Note Trustee, and in the case of Secured Certificates only, the Security Trustee or any receiver in preparing and executing the trusts under the Trust Deed in relation to the Certificates and in carrying out their functions under the Trust Deed (including any taxes required to be paid, (solely in the case of Secured Certificates) the cost of realising any Security, and the Note Trustee's and/or the Security Trustee's remuneration) to the extent not paid pursuant to the Expenses Agreement, and (ii) payment of the fees, costs, charges, expenses and liabilities incurred by the Agents in carrying out their functions under the Agency Agreement to the extent not paid pursuant to the Expenses Agreement, and (iii) any other claims as specified in the Conditions as may be amended by the Trust Deed relating to the relevant Series that rank in priority to the Certificates.

## No gross-up

In the event that any withholding tax or deduction for tax is imposed (including, without limitation, through any law or regulation implementing a system of financial transaction tax in any jurisdiction, including the European Union, relating to any tax payable in respect of the transfer of, or issue or modification or redemption of, any financial instruments) on payments on the Certificates, the Certificateholders will not be entitled to receive grossed-up amounts to compensate for such withholding tax nor be reimbursed for the amount of any shortfall.

## Meetings of Certificateholders, Modification and waivers and substitution

The Trust Deed and Conditions contain provisions for convening meetings of Certificateholders to consider matters affecting their interests generally (including amendments to the Conditions and/or the Trust Deed). Such provisions include, among other things, (i) quorum requirements for the holding of Certificateholders' meetings and (ii) voting thresholds required to pass Extraordinary Resolutions at such meetings (or through written resolutions). The quorum required for a meeting of Certificateholders convened to vote on an Extraordinary Resolution (other than regarding a modification of the details of the Security (if applicable) and the Series Assets, certain terms concerning the amount, currency and postponement of the due dates for payment of the Certificates, the provisions concerning the quorum required at any meeting of Certificateholders and the provisions concerning the majority required to pass an Extraordinary Resolution (a "**Basic Terms Modification**")) is two or more person(s) holding or representing a clear majority in principal amount of the Certificates for the time being outstanding. The quorum at an adjourned meeting is two or more persons holding Certificates or representing Certificateholders. The quorum required for a meeting of Certificateholders convened to vote on an Extraordinary Resolution relating to a Basic Terms Modification will be two or more person(s) holding or representing at least two-thirds in nominal amount of the Certificates for the time being outstanding. The quorum at an adjourned meeting to vote on an Extraordinary Resolution relating to a Basic Terms Modification is two or more person(s) holding or representing at least one-third in nominal amount of the Certificates for the time being outstanding. It should, however, be noted that Extraordinary Resolutions (including to amend the Conditions and/or the Trust Deed) may still be effected in circumstances where not all Certificateholders agree with the terms thereof and an Extraordinary Resolution in

respect of any such amendments or waivers once passed in accordance with the provisions of the Conditions will be binding on all such dissenting Certificateholders.

The Trust Deed and Conditions also provide that the Note Trustee may, without the consent of any of the Certificateholders, agree to and, in the case of Secured Certificates, may direct the Security Trustee to agree to (i) any modification of any of the provisions of the Trust Deed or the Relevant Agreements which is in the opinion of the Note Trustee of a formal, minor or technical nature or is made to correct a manifest error or (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or any of the Relevant Agreements which, in any such case, is in the opinion of the Note Trustee not materially prejudicial to the interest of all of the Certificateholders.

Secured Certificateholders and Unsecured Certificateholders shall have no right of action against the Note Trustee if the Note Trustee agrees to any such modifications to the Relevant Agreements that affect either the Secured Certificateholders or the Unsecured Certificateholders.

### **Early redemption for Events of Default, tax or other reasons**

The Certificates may be redeemed on a date other than on the Maturity Date upon the occurrence of certain tax events with respect to the Certificates or the Collateral in the case of the Secured Certificates or the Underlying Assets in the case of Unsecured Certificates, upon any of the Collateral or the Underlying Assets, as applicable, being called for redemption or repayment prior to its scheduled Maturity Date. In addition, the Issuer, the Certificateholders and/or the Note Trustee (depending on the relevant event and as specified in the Conditions) may have the right to direct a redemption of the Certificates upon the occurrence of an Event of Default with respect to the Certificates, or the occurrence of certain default events relating to the Collateral or the Underlying Assets as applicable. The amount payable per Certificate to Certificateholders in such circumstances will be, unless otherwise specified in the applicable Final Terms, an amount equal to the outstanding principal amount of such Certificate, subject to the payment of all prior ranking amounts as provided in the Conditions. The Issuer will fund such payments under a Series of Certificates from payment(s) due to it under the Collateral or the Underlying Assets as the case may be (if applicable). This will expose Certificateholders to the market value of the Collateral or the Underlying Assets, as applicable (for a consideration of factors that may impact such values see "*Risk Factors – Market Value of Certificates*" below).

If, following the realisation in full of the Mortgaged Property in the case of Secured Certificates or the Unsecured Series Property in the case of Unsecured Certificates relating to the relevant Series of Certificates (in the case of Secured Certificates by way of enforcement of the Security) and application of available cash sums as provided in the Conditions, there are any outstanding claims against the Issuer in respect of such Series of Certificates which remain unpaid, then such outstanding claim will be extinguished and no debt will be owed by the Issuer in respect thereof. In such circumstances, the investors in the Certificates may not receive back their investment and may receive zero.

### **Market Value of Certificates**

The market value of the Certificates may be affected by a number of factors, including, but not limited to (i) the value and volatility of the Collateral or the Underlying Assets, as applicable, if any and the creditworthiness of the issuers and obligors of any

Collateral or the Underlying Assets, (ii) the value and volatility of any index, securities, commodities or property to which payments on the Certificates may be linked, directly or indirectly, and the creditworthiness of the issuers or obligors in respect of any securities or other obligations to which payments on the Certificates may be linked, directly or indirectly, (iii) market perception, interest rates, yields and foreign exchange rates, (iv) the time remaining to the Maturity Date and (v) any outstanding Transaction Fees (if payable out of the proceeds of redemption of the Collateral or the Underlying Assets). Any price at which Certificates may be sold prior to the Maturity Date may be at a discount, which could be substantial, to the value at which the Certificates were acquired on the Issue Date.

Prospective purchasers should be aware that not all market participants would determine prices in respect of the Certificates in the same manner, and the variation between such prices may be substantial. Accordingly, any prices provided by the Dealer may not be representative of prices that may be provided by other market participants. For this reason, any price provided or quoted by the Dealer should not be viewed or relied upon by prospective purchasers as establishing, or constituting advice by the Dealer concerning, a mark-to-market value of the Certificates. The price (if any) provided by the Dealer is at the absolute discretion of the Dealer and may be determined by reference to such factors as it sees fit. Any such price may take into account fees, commissions or arrangements entered into by the Dealer with a third party in respect of the Certificates and that Dealer shall have no obligation to any Certificateholder to disclose such arrangements. Any price given would be prepared as of a particular date and time and would not therefore reflect subsequent changes in market values or any other factors relevant to the determination of the price.

### **Risks relating to the assets**

#### **No investigations**

No investigations, due diligence, searches or other enquiries have been or will be made by or on behalf of the Issuer, the Dealer or the Note Trustee in respect of the Collateral or the Underlying Assets, as applicable (if any) relating to any Series of Certificates. No representations or warranties, express or implied, have been given by the Issuer, the Dealer, the Note Trustee, the Security Trustee or any other person on their behalf in respect of the Collateral or the Underlying Assets, as applicable (if any) relating to any Series of Certificates and Underlying Assets. Any interested party in the Certificates of a Series must carry out their own due diligence on the Collateral or Underlying Assets of a Series before purchasing the Certificates of such Series.

#### **Collateral**

The Collateral or the Underlying Assets, as applicable, relating to any Certificates will be subject to credit, liquidity and interest rate risks. In the event of an insolvency of an issuer or obligor in respect of any Collateral or Underlying Assets or the Swap Counterparty, various insolvency and related laws applicable to such issuer or obligor or the Swap Counterparty may (directly or indirectly) limit the amount the Issuer, the Note Trustee or the Security Trustee (if applicable) may recover in respect such Collateral or Underlying Assets.

If Certificates redeem other than on their Maturity Date, the Collateral or the Underlying Assets, as applicable, relating thereto will be sold or otherwise liquidated (except where otherwise transferred in accordance with the Conditions). No assurance can be given as to the amount of proceeds of any sale or liquidation of such Collateral or Underlying Assets at that time since the market value of such Collateral or Underlying Assets will be affected by a number of factors including but not limited to (i) the

creditworthiness of the issuers and obligors of the Collateral or Underlying Assets and the Swap Counterparty, (ii) market perception, interest rates, yields and foreign exchange rates, (iii) the time remaining to the scheduled maturity of the Collateral or Underlying Assets and (iv) the liquidity of the Collateral or Underlying Assets. Accordingly, the price at which such Collateral or Underlying Assets is sold or liquidated may be at a discount, which could be substantial, to the market value of the Collateral or Underlying Assets on the issue date and the proceeds of any such sale or liquidation and any other assets available to the Issuer that relate to the relevant Series of Certificates may not be sufficient, following deduction of amounts to be paid to prior ranking claimants in accordance with the Conditions, to repay the full amount of principal of and interest on the relevant Certificates that the holders of such Certificates would expect to receive in the event that the Certificates were redeemed in accordance with their terms on their Maturity Date.

The Dealer may have acquired, or during the terms of the Certificates may acquire, confidential information or enter into transactions with respect to any Collateral or Underlying Assets, as applicable, and they shall not be under any duty to disclose such confidential information to any Certificateholder or the Issuer.

### **Risks relating to the Paying Agent**

Any payments made to Certificateholders in accordance with the terms and conditions of the Certificates will be made by the Paying Agent on behalf of the Issuer. Pursuant to the Agency Agreement, the Issuer is to transfer to the Paying Agent such amount as may be due under the Certificates, on or before each date on which such payment in respect of the Certificates becomes due.

If the Paying Agent, while holding funds for payment to Certificateholders in respect of the Certificates, is declared insolvent, the Certificateholders may not receive all (or any part) of any amounts due to them in respect of the Certificates from the Paying Agent. The Issuer will still be liable to Certificateholders in respect of such unpaid amounts but the Issuer will have insufficient assets to make such payments (or any part thereof) and Certificateholders may not receive all, or any part, of any amounts due to them. Consequently, the Certificateholders are relying not only on the creditworthiness of the Collateral or the Underlying Assets, if applicable, but also on the creditworthiness of the Paying Agent in respect of the performance of its obligations under the Agency Agreement to make or facilitate payments to Certificateholders.

### **Risks relating to the Cash Account Bank**

If a Series of Certificates has an Account Bank specified in the Final Terms then certain amounts of the proceeds of the issuance of the Certificates, amounts from the sale of the Shares of the applicable Company relating to such Certificates and other amounts may be deposited into such Cash Account, which will be held with the Cash Account Bank.

If the Cash Account Bank, while holding funds for, *inter alia*, payment to Certificateholders in respect of the Certificates, is declared insolvent, the Certificateholders may not receive all (or any part) of any amounts due to them in respect of the Certificates from the Cash Account Bank. The Issuer will still be liable to Certificateholders in respect of such unpaid amounts but the Issuer will have insufficient assets to make such payments (or any part thereof) and Certificateholders may not receive all, or any part, of any amounts due to them. Consequently, the Certificateholders are relying not only on the creditworthiness of the Collateral or the Underlying Assets, if applicable, but also on the creditworthiness of the Cash Account

Bank in respect of the performance of its obligations under the Cash Account Agreement to make or facilitate certain payments to Certificateholders.

## **Conflicts of Interest**

### **General**

Any Series Transaction Party and any of its affiliates may act in a number of capacities in connection with any issue of Certificates. Any Series Transaction Party or any such affiliate, as the case may be, when acting in such capacities in connection with the transactions described herein in respect of any Series of Certificates shall have only the duties and responsibilities expressly agreed to by such entity in the relevant capacity and shall not, by virtue of its or any affiliate acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to the relevant capacity. Any Series Transaction Party and any of its affiliates in its various capacities may enter into business dealings relating to the Certificates or the Collateral or Underlying Assets, as applicable, or any asset to which the Certificates or Collateral or Underlying Assets are exposed, including the acquisition and/or sale of the Certificates, from which they may derive revenues and profits in addition to any fees stated in the various documents, without any duty to account therefor.

Any Series Transaction Party and any of its affiliates may from time to time be in possession of certain information (confidential or otherwise) and/or opinions with regard to the issuer or obligor of any Collateral or Underlying Assets which information and/or opinions might, if known by a Certificateholder, affect decisions made by it with respect to its investment in the Certificates. Notwithstanding this, none of the Series Transaction Parties or any of their affiliates shall have any duty or obligation to notify the Certificateholder or the Issuer or any other Series Transaction Parties (including any directors, officers or employees thereof) of such information and/or opinions.

Any Series Transaction Party and any of its affiliates may deal in any obligation of the issuer or obligor of any Collateral or Underlying Assets and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business transactions with, the issuer or obligor of any Collateral or Underlying Assets and may act with respect to such transactions in the same manner as if the Certificates of the relevant Series did not exist and without regard to whether any such action might have an adverse effect on the issuer or obligor of any Collateral or Underlying Assets, the Issuer or the Certificateholders of the relevant Series.

Any Series Transaction Party and any of its affiliates may at any time be active and significant participants in or act as market maker in relation to a wide range of markets for currencies, instruments relating to currencies, securities and derivatives. Activities undertaken by any Series Transaction Party and any of its affiliates may be on such a scale as to affect, temporarily or on a long-term basis, the price of such currencies, instruments relating to currencies, securities and derivatives or securities and derivatives based on, or relating to the Certificates or any Collateral or Underlying Assets. Notwithstanding this, none of the Series Transaction Parties or any of their affiliates shall have any duty or obligation to take into account the interests of any party in relation to any Certificates when effecting transactions in such markets.



One or more of the Series Transaction Parties and their affiliates may:

- (a) have placed or underwritten, or acted as a financial arranger, structuring agent or adviser in connection with the original issuance of, or may act as a broker or dealer with respect to the Collateral or Underlying Assets;
- (b) act as trustee, paying agent and in other capacities in connection with certain of the Collateral or Underlying Assets or other classes of securities issued by an issuer of, or obligor with respect to, the Collateral or Underlying Assets or an affiliate thereof;
- (c) be a counterparty to issuers of, or obligors with respect to, certain of the Collateral or Underlying Assets under a swap or other derivative agreements;
- (d) lend to certain of the issuers of, or obligors with respect to, the Collateral or Underlying Assets or their respective affiliates or receive guarantees from such issuers, obligors or their respective affiliates;
- (e) provide other investment banking, asset management, commercial banking, financing or financial advisory services to the issuers of, or obligors with respect to, the Collateral or Underlying Assets or their respective affiliates; or
- (f) have an equity interest, which may be a substantial equity interest, in certain issuers of, or obligors with respect to, the Collateral or Underlying Assets or their respective affiliates.

When acting as a trustee, paying agent or in other service capacities with respect to the Collateral or Underlying Assets, the Series Transaction Parties are entitled to fees and expenses (if not otherwise paid) senior in priority to payments on such Collateral or Underlying Assets. When acting as a trustee for other classes of securities issued by the issuer or obligor of any Collateral or Underlying Assets or an affiliate thereof, a Series Transaction Party may owe fiduciary duties to the holders of such other classes of securities, which classes of securities may have differing interests from the holders of the class of securities of which the relevant Collateral is a part, and may take actions that are adverse to the holders (including, where applicable, the Issuer) of the class of securities of which the relevant Collateral or Underlying Assets are a part. As a counterparty under swaps and other derivative agreements, a Series Transaction Party may take actions adverse to the interests of the Issuer, including, but not limited to, demanding collateralisation of its exposure under such agreements (if provided for thereunder) or terminating such swaps or agreements in accordance with the terms thereof. In making and administering loans and other obligations, a Series Transaction Party may take actions including, but not limited to, restructuring a loan, foreclosing on or exercising other remedies with respect to a loan, requiring additional collateral or other credit enhancement, charging significant fees and interest, placing the issuers of, or obligors with respect to, any Collateral or Underlying Assets in bankruptcy and/or demanding payment on a loan guarantee or under other credit enhancement. The Issuer's acquisition, holding and sale of the Collateral or Underlying Assets may enhance the profitability or value of investments made by a Series Transaction Party in the issuers thereof or obligors in respect thereof. As a result of all such transactions or arrangements between a Series Transaction Party and the issuers of, and obligors with respect to, the Collateral or Underlying Assets or their respective affiliates, a Series Transaction Party may have interests that are contrary to the interests of the Issuer and the Certificateholders.

## **The Note Trustee**

In connection with the exercise of its functions in respect of a Series, the Note Trustee shall have regard to the interests of the Certificateholders of that Series as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Note Trustee shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders. In acting as Note Trustee under the Trust Deed, the Note Trustee shall not, in respect of Certificates of any Series, assume any duty or responsibility to the Paying Agent or any other secured creditor or any other Series Transaction Party (other than to pay any such party any moneys received and payable to it and to act in accordance with the Conditions and the Trust Deed) and shall have regard solely to the interests of the Certificateholders and shall not be obliged to act on any directions of any secured creditor or Series Transaction Party if this would in the Note Trustee's opinion be contrary to the interests of the Certificateholders (other than if such actions are in accordance with the Relevant Agreements).

## **Risks relating to third parties**

### **Reliance on third parties**

The Issuer is a party to contracts with a number of third parties who have agreed to perform services in relation to the Certificates. Counterparties of the Issuer may not perform their respective obligations under the Relevant Agreements, which may result in the Issuer not being able to meet its obligations. The Note Trustee, the Security Trustee (if any), the Paying Agent, and/or any of their affiliates, as well as the other parties to the Relevant Agreements acting in their respective capacities, shall not, by virtue of acting in any such capacity, be deemed to have other duties or responsibilities other than as expressly provided with respect to each such capacity.

There can be no certainty that, in the event that any such third party needs to be replaced, a replacement party can be found to take over their responsibilities or that such replacement party will agree to do so on identical terms of those agreed with the outgoing party. Furthermore, the liability of any such party, the extent to which the Issuer may make a claim in the event of inadequate performance or non-performance may be limited by the provisions of the relevant contract. In such case, the ability of the Issuer to recover damages incurred may be reduced, which would in turn affect the amount available to make payments under the Certificates.

The Dealer has agreed to pay certain fees, costs and expenses of the Issuer in relation to the Certificates. In the event that the Dealer does not meet such obligations on time and in full (which may occur, for example, upon the insolvency (or the occurrence of an analogous event) of the Dealer), the Issuer may not be able to meet its periodic costs and expenses which may lead to a default of the Issuer's obligations under the Trust Deed and consequently an Event of Default.

### **Other commercial relationships of the parties involved and conflicts of interest**

The parties to the Relevant Agreements may have ongoing relationships with each other and may own securities or other obligations issued by them or deal in any obligation of another party to the Relevant Agreements and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking, investment management or other business transactions with each other and may act with respect to such transactions in the same manner as if the Relevant Agreements and the Certificates did not exist.

Any party to the Relevant Agreements, other than the Issuer, may purchase Certificates from time to time and their interests may conflict with those of other Certificateholders. As a consequence of these or other such relationships, potential or actual conflicts of interest may exist and/or arise in relation to the Relevant Agreements.

## **Risk Factors relating to the market**

### **Limited liquidity of the Certificates**

Although application may be made to admit the Certificates to the Official List of Euronext Dublin or the official list of another stock exchange and admit them to trading on the Main Securities Market or on the regulated market of any other stock exchange, there is currently no secondary market for the Certificates. There can be no assurance that a secondary market for any of the Certificates will develop, or, if a secondary market does develop, that it will provide the holders of the Certificates with liquidity or that it will continue for the life of the Certificates.

Investors should note that the market for the Certificates will be affected by, among other things, supply and demand for the Certificates, and that, accordingly, it should not be assumed that there will be a significant correlation between the market value of the Certificates and the market value of the Collateral or the Underlying Assets, as applicable. Prospective investors should be aware that the market value of the Certificates may also be affected by events in the capital and credit markets which may have an effect on the market value of the Collateral or Underlying Assets, the Issuer and/or similar structured securities generally.

In addition, the liquidity of any trading market (should any develop) in the Certificates may be adversely affected by changes in the overall market for investment and non-investment grade securities. If such a trading market were to develop, the Certificates could trade at prices that may be higher or lower than the initial offering price depending on many factors including prevailing interest rates and the market for similar securities.

Consequently, any investor of the Certificates must be prepared to hold such Certificates for an indefinite period of time or until redemption of the Certificates. Under normal market conditions, subject to applicable law and the Dealer's policies, the Dealer will use reasonable efforts to make a market for the Certificates and quote bid and offer prices. However, the Dealer is under no obligation to continue to do so and may stop making a market at any time.

### **Risks relating to the Banking Act 2009**

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England, the UK Prudential Regulation Authority and, where relevant, the UK Financial Conduct Authority (together, the "**Authorities**") as part of the special resolution regime (the "**SRR**"). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (the "**FSMA**") (such as, among others, the Dealer) (a "**Relevant Entity**") that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the Relevant Entity or the shares of the Relevant Entity to a private sector purchaser; (ii) transfer of all or part of the business of the Relevant Entity to a "bridge bank" wholly-owned by the Bank of England; under the bail-in option; (iii) transfer all or part of the relevant entity or "bridge bank" to an asset management vehicle; (iv) making of one or more resolution

instruments by the Bank of England; and (v) temporary public ownership of the Relevant Entity. HM Treasury may also take a parent company of a Relevant Entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the Relevant Entity could be made.

In addition, pursuant to amendments made to the Banking Act, provision has been made for the stabilisation tools to be used in respect of banking group companies. These amendments to the Banking Act allow all of the current stabilisation options under the SRR to be applied to any entity that meets the definition of a "banking group company".

In general, the Banking Act requires the Authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. The Authorities are also empowered by order to amend the law for the purpose of enabling the powers under the special resolution regime to be used effectively. An order may make provision which has retrospective effect. In general, there is considerable uncertainty about the scope of the powers afforded to the Authorities under the Banking Act and how the Authorities may choose to exercise them.

If an instrument or order were to be made under the Banking Act in respect of a Relevant Entity, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Relevant Agreements and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain events included in the Relevant Agreements in respect of the relevant entity, including termination events). As a result, the making of an instrument or order in respect of a Relevant Entity may affect the ability of the Issuer to meet its obligations in respect of the Certificates. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Certificateholders would recover compensation promptly and equal to any loss actually incurred.

At present, the Authorities have not made an instrument or order under the Banking Act in respect of the Relevant Entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Certificateholders will not be adversely affected by any such instrument or order if made.

## **Risks relating to Global Events**

### **General**

Since mid-2007, the global economy and financial markets have experienced extreme levels of instability and during 2008, the initial instability intensified into a severe global financial crisis.

In response to the crisis various governments and central banks took substantial measures to ease liquidity problems and enacted fiscal stimulus packages and measures to support certain entities affected by the crisis. Such measures included establishing special liquidity schemes and credit facilities, bank recapitalisation programmes and credit guarantee schemes.

Since 2007, various economies around the world have experienced sustained periods of decreased growth and some have also entered into recessions of varying lengths and severity. A number of countries have accumulated significant levels of public debt both absolutely and relative to GDP. This has led to international "bail-outs" of certain countries and resulted in general concerns about sovereign credit defaults, most notably Ireland, Portugal, Cyprus and Greece, which could undermine any recovery and could have the effect of taking the credit crisis into a new recessionary phase.

The above factors have also led to substantial volatility in markets across asset classes, including (without limitation) stock markets, foreign exchange markets, fixed income markets and credit markets.

There can be no assurance that the steps taken by governments or international or supra-national bodies to ameliorate the state of the global economy and to prevent any further slowdowns or recessions will be successful in the long term as the effects of the financial crisis are to varying degrees still being felt and that such steps will not instead lead or contribute to a deeper and/or longer-lasting recession. The structure, nature and regulation of financial markets in the future may be fundamentally altered as a consequence of the global financial crisis, possibly in unforeseen ways. There can be no assurance that similar or greater disruption may not occur in the future for similar or other reasons. In addition, the attempts being taken to reduce the high level of sovereign debt may themselves contribute to a further global recession. There can be no assurance as to how severe the global recession will be or as to how long it will last. Economic prospects are subject to considerable uncertainty.

Prospective investors should ensure that they have sufficient knowledge and awareness of the global financial crisis and the response thereto and of the economic situation and outlook as they consider necessary to enable them to make their own evaluation of the risks and merits of an investment in the Certificates. In particular, prospective investors should take into account the considerable uncertainty as to how the global financial crisis and the wider economic situation will develop over time.

Any person who had held securities during the periods considered above, particularly structured securities, would be highly likely to have suffered significant adverse effects as a result of such holding, including, but not limited to, major reductions in the value of those securities and a lack of liquidity. A significant number of credit events have occurred in respect of reference entities referenced in structured securities. Prospective investors should consider carefully whether they are prepared to take on similar risks by virtue of an investment in the Certificates.

## **Impact on Liquidity**

The events outlined above have had an extremely negative effect on the liquidity of financial markets generally and in the markets in respect of certain financial assets or in the obligations of certain obligors. This has particularly been the case with respect to the market for structured assets and the obligations of financial institutions and certain sovereigns. Such assets may either not be saleable at all or may only be saleable at significant discounts to their estimated fair value or to the amount originally invested. Such assets have been the subject of new regulations in the market place and continue to be scrutinised by regulators around the world. No assurance can be given that liquidity in the market generally, or in the market for any particular asset class or in the obligations of any particular financial institution or sovereign, will improve or that it will not worsen in the future. Such limited liquidity may have a negative impact on the value of the Certificates or the value of the Underlying Assets, as applicable, in terms of the assets or indices referenced. In particular, should the Certificates be redeemed early, Certificateholders will be exposed to the realisation value of the Underlying Assets which value might be affected (in some cases significantly) by such lack of liquidity.

Concerns about the creditworthiness of the Paying Agent may also impact the value of the Certificates.

## **Impact on Credit**

The events outlined above have negatively affected the creditworthiness of a number of entities or governments, in some cases to the extent of collapse or requiring rescue from governments or international or supra-national bodies. Such credit deterioration has and may continue to be widespread. The value of the Certificates or of the amount of payments under them may be negatively affected by such widespread credit deterioration. Prospective investors should note that recoveries on assets of affected entities have in some cases been *de minimis* and that similarly low recovery levels may be experienced with respect to other entities or governments in the future which may include the obligors of the Underlying Assets (or any guarantor or credit support provider in respect thereof). Prospective investors should also consider the impact of a default by the Paying Agent and possible delays and costs in being able to access property held with a failed custodian.

## **Impact on Valuations and Calculations**

Since 2007, actively traded markets for a number of asset classes and obligors have either ceased to exist or have reduced significantly. To the extent that valuations or calculations in respect of instruments related to those asset classes were based on quoted market prices or market inputs, the lack or limited availability of such market prices or inputs has significantly impaired the ability to make accurate valuations or calculations in respect of such instruments. No assurance can be given that similar impairment may not occur in the future.

Furthermore, in a number of asset classes, a significant reliance has historically been placed on valuations derived from models that use inputs that are not observable in the markets and/or that are based on historical data and trends. Such models often rely on certain assumptions about the values or behaviour of such unobservable inputs or about the behaviour of the markets generally or interpolate future outcomes from historical data. In a number of cases, the extent of the market volatility and disruption has resulted in the assumptions being incorrect to a significant degree or in extreme departures from historical trends. Where reliance is placed on historical data, in certain instances such data may only be available for

relatively short time periods (for example, data with respect to prices in relatively new markets) and such data may not be as statistically representative as data for longer periods.

Prospective investors should be aware of the risks inherent in any valuation or calculation that is determined by reference to a model and that certain assumptions will be made in operating the model which may prove to be incorrect and give rise to significantly different outcomes to those predicted by the model.

### **Impact of Increased Regulation and Nationalisation**

The events since 2007 have seen increased involvement of governmental and regulatory authorities in the financial sector and in the operation of financial institutions. In particular, governmental and regulatory authorities in a number of jurisdictions have imposed stricter regulatory controls around certain financial activities and/or have indicated that they intend to impose such controls in the future. The United States of America, the European Union and other jurisdictions have implemented various reform measures. Such regulatory changes and the method of their implementation may have a significant impact on the operation of the financial markets. It is uncertain how a changed regulatory environment will affect the Issuer, the treatment of instruments such as the Certificates, the Dealer, and the other Series Transaction Parties. In addition, governments have shown an increased willingness, wholly or partially to nationalise financial institutions, corporates and other entities in order to support the economy and a number of financial institutions continue to receive state support through partial ownership. Such nationalisation may impact adversely on the value of the stock or other obligations of any such entity and continued depression of such stock values can affect the length of time that governments will continue to provide support. In addition, in order to effect such nationalisation, existing obligations or stock might have their terms mandatorily amended or be forcibly redeemed. To the extent that the Swap Counterparty or the obligors of the Underlying Assets (or any guarantor or credit support provider in respect thereof), or any other person or entity connected with the Certificates is subject to nationalisation or other government intervention, it may have an adverse effect on a holder of a Certificate.

### **Systemic Risk**

Financial institutions and other significant participants in the financial markets that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk". Financial institutions such as the Dealer, the Note Trustee, the Swap Counterparty and the Paying Agent (or any affiliate of any of them) and any obligors of the Underlying Assets (or any guarantor or credit support provider in respect thereof) that are financial institutions or are significant participants in the financial markets are likely routinely to execute a high volume of transactions with various types of counterparties, including brokers and dealers, commercial banks, investment banks, insurers, mutual and hedge funds and institutional clients. To the extent they do so, they are and will continue to be exposed to the risk of loss if counterparties fail or are otherwise unable to meet their obligations. In addition, a default by a financial institution or other significant participant in the financial markets, or concerns about the ability of a financial institution or other significant participant in the financial markets to meet its obligations, could lead to further significant systemic liquidity problems and as such have a material adverse impact on other entities.

## Political and Economic Uncertainty

Prospective investors should note that, pursuant to a referendum held in June 2016, the UK voted to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances.

There are a number of areas of uncertainty in connection with the future of the UK and its relationship with the European Union and the negotiation of the UK's exit terms and related matters may take several years. Given this uncertainty and the range of possible outcomes, it is not currently possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK and the European Union. It is also not possible to determine the impact that these matters will have on the Issuer or any other party to the transaction documents, or on the regulatory position of any such entity or of the transactions contemplated by the transaction documents under EU regulation or more generally.

## RISKS RELATED TO COMPANIES AND SHARES

The Certificate Redemption Amount of the Certificates is dependent upon the redemption or sale proceeds that would be received in respect of the Shares of a Company. Accordingly, an investment in the Certificates may bear similar market risks to a direct investment in the Shares and investors should take advice accordingly. An investment in the Certificates will entail significant risks not associated with a conventional debt security.

Despite the fact that, in relation to a Company, a net asset value may be published, potential investors should be aware that payments on the Certificates will be determined by reference to Realised Share NAV. Any such amounts may be significantly different from amounts calculated by reference to the net asset value of the particular Company. In addition, potential investors should be aware that, in relation to payments due on Certificates which are determined by reference to amounts that would be received by an investor, where such investor would receive payments after their scheduled payment date, corresponding delays may also be made to equivalent payments on the Certificates.

A large number of subscription or repurchase orders with the Company by investors can lead to either an accelerated sale or temporary dilution of assets and higher fees for the remaining investors or "gating" where such orders are only satisfied in part, with others being delayed. In addition, there may not be a liquid market in the Shares of a Company and consequently there may be a considerable time delay before any relevant Share may be realised.

***The following are the types of risk factors typically associated with investing directly in interests of a company or fund of the same type as the Shares in a Company. The risk factors described in the sections below reference a single "Company" and its various related agents. However, these risk factor sections can be applicable to any Company in which the Issuer invests the net proceeds of the Certificates of a particular Series. Investors in all Series should be aware of all such risk factors although not all of them will necessarily apply to the Company associated with their particular Series.***



***If the risks materialise for the Company (or its related agents) related to a particular Series of Certificates, only the Certificates of such Series would be affected. However, the risks are generic and could materialise for the entities associated with more than one Series of Certificates, especially if such entities act for more than one Company.***

### ***Investment in the Company***

***The short-term performance of the Company's investments may fluctuate significantly, although the manager or adviser for such Company will seek to achieve significant gains over the longer term. Therefore, investment in the Company is not suitable for short-term investment.***

Shares in a Company might only be transferable with the consent of the manager of such Company. Consequently, the Issuer may only be able to dispose of the Shares by means of withdrawal on a Business Day (with a certain number of Business Days' prior notice) (and, in certain circumstances, the right of withdrawal may be limited or suspended). This could mean there is no secondary market for the Shares of a Company.

The Issuer, as a shareholder of a Company, could lose all or a substantial portion of its investment in that Company.

The Companies are not expected to be registered with, or regulated by, any securities or governmental authority. Accordingly, the benefits of any further or additional registrations and regulations, are not, and would not be applicable to the Company or available to its members including the Issuer.

A Company might be subject to several conflicts of interest. Among them:

- (a) an adviser to a Company might not be required to devote its full time to the Company;
- (b) an adviser to a Company may have a conflict of interest when allocating investment opportunities between the Company and its other clients;
- (c) an adviser to a Company may trade in the types of assets invested in by the Company for its own respective accounts; or
- (d) other agents and service providers to a Company may engage in businesses that are competitive to that of the Company.

In managing and directing the day-to-day activities and affairs of a Company, a manager for such Company relies heavily on its directors and may be leanly staffed. If any of such manager's key persons were to leave or be unable to carry out his or her present responsibilities, it may have an adverse effect on the management of the Company.

A Company might have been recently formed or will be formed in the future and therefore will have limited or no trading activities as of the date of this Base Prospectus. Consequently, there will be limited operating history upon which the Issuer (and therefore also investors in the Certificates) can evaluate past performance. There can be no assurance the adviser to a Company will achieve the investment objective of the Company and that profits will be achieved or that substantial losses will not be incurred.

Following the existence or occurrence of certain events, if the Calculation Agent determines that such event or events are material for the purposes of the

Certificates, an Early Termination Event will occur which will lead to a Mandatory Redemption Event occurring.

Certificates may also be redeemed early following an Event of Default. The application of any such provisions may have an adverse effect on the value and liquidity of the Certificates. Potential investors should review the Conditions of the Certificates to ascertain whether and how such provisions apply to the Certificates.

The occurrence of an Early Termination Event may have an effect on the timing of valuation and consequently the value of the Certificates and/or may delay settlement in respect of the Certificates. Potential investors should review the Conditions to ascertain whether and how such provisions apply to the Certificates.

The Company may be a fund, which will regularly charge fees (such as management fees) that lower the redemption proceeds used to determine the redemption, cancellation and/or interim amounts under the Certificates. In addition, other fees and expenses can be incurred that are charged by third persons employed by such Company's fund manager to provide services connected to such Company (such as custodian bank fees, fees for investment advice and auditing). Furthermore, the fund manager, asset manager or investment consultant may charge a performance-related fee.

There may also be fees incurred at the level of the assets held by a Company that lower the value of these assets, and thereby also indirectly lower the net asset value of the Company itself. Such fees occur especially if the Company for its part invests in a funds (or a fund of funds) or other investment vehicles or instruments entailing fees.

Companies might invest in shares, corporate bonds, government bonds or other assets in jurisdictions, including emerging markets, that might have legal and regulatory frameworks that are not as well developed as developed countries.

General risks of investing in emerging markets include but are not limited to:

- less liquid and less efficient securities markets;
- greater price volatility;
- exchange rate fluctuations and exchange controls;
- less publicly available information about issuers;
- the imposition of restrictions on the repatriation of funds or other assets out of the country;
- higher transaction and custody costs and higher settlement risks;
- difficulties in enforcing contractual obligations;
- lesser levels of regulation of the securities markets;
- different accounting, disclosure and reporting requirements;
- more substantial government involvement in the economy;
- higher rates of inflation;
- social, political and economic instability; and

- risk of nationalisation or expropriation of assets and risk of war or terrorism.

Companies might invest in debt instruments and unlisted securities that provide such Companies with direct or indirect exposure to entities which use debt financing or trade on margin (i.e. borrowing against the assets purchased) to obtain an optimum return on their equity capital. The use of such techniques may therefore increase the volatility of the price of such debt instruments and unlisted securities and as a result may impact the returns of such Companies.

The Company might base trading decisions on mathematical analyses of technical factors relating to past market performance rather than fundamental analysis. The buy and sell signals generated by a technical, trend-following trading strategy are derived from a study of actual intraday and daily price fluctuations, volume variations and changes in open interest in the markets. The profitability of any technical, trend-following trading strategy depends upon the occurrence in the future of significant, sustained price moves in some of the markets traded. A danger for trend-following trading strategies is whip-saw markets, that is, markets in which a potential price trend may start to develop but reverses before an actual trend is realised. A pattern of false starts may generate repeated entry and exit signals in technical systems, resulting in unprofitable transactions.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in the offering of Shares in a Company.**

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following is the text of the terms and conditions which, subject to completion and minor amendment, will be applicable to the Certificates of a Series in definitive and global form and the Custodian Certificates. Either (i) the full text of these terms and conditions together with the relevant provisions of the final terms for such Series (the "**Final Terms**") or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions) shall be endorsed on the Definitive Certificates and Global Certificates (as applicable) relating to the Certificates. All capitalised terms that are not defined in these Conditions will have the meaning given to them in the Principal Trust Deed, and/or relevant Final Terms and will be endorsed on the Definitive Certificates and Global Certificates (as applicable). References to "Certificates" are to Certificates of one series of Certificates (each, a "**Series**") only, not to all Certificates that may be issued under the Programme.*

The Certificates, in the case of unsecured Certificates ("**Unsecured Certificates**"), are constituted by and, in the case of secured Certificates ("**Secured Certificates**"), are constituted and secured by a supplemental trust deed (the "**Supplemental Trust Deed**") dated the date of issue of the Certificates (the "**Issue Date**") between, *inter alia*, Weser Capital Limited (the "**Issuer**") and BNY Mellon Corporate Trustee Services Limited as note trustee for the Certificateholders (the "**Note Trustee**", which expression shall include all persons for the time being the note trustee or note trustees under the Principal Trust Deed (as defined below)) and, solely in the case of Secured Certificates, as security trustee for the Secured Certificateholders (the "**Security Trustee**", which expression shall include all persons for the time being the security trustee or security trustees under the Principal Trust Deed). The Supplemental Trust Deed is supplemental to a trust deed (the "**Principal Trust Deed**", which expression shall include any amendments or supplements thereto) dated 29 June 2012 as amended, supplemented and/or amended and restated from time to time between the Issuer, the Note Trustee and the Security Trustee (together with the Supplemental Trust Deed, the "**Trust Deed**").

The Secured Certificates (other than the Secured Series Custodian Certificates), are secured on certain assets of the Issuer, as described in Condition 4(b), pursuant to the Trust Deed.

Payments under the Certificates will be made pursuant to an agency agreement dated 29 June 2012 as amended and restated from time to time made between the Issuer, the Note Trustee, Crestbridge Fund Administrators Limited, in its capacity as calculation agent (the "**Calculation Agent**"), Morgan Stanley & Co. International plc as certificate custodian (the "**Certificate Custodian**"), The Bank of New York Mellon, London Branch, having its registered office at One Canada Square, London, E14 5AL, in its capacity as paying agent (the "**Paying Agent**") and as transfer agent (the "**Transfer Agent**") and The Bank of New York Mellon SA/NV, Luxembourg Branch as the registrar (the "**Registrar**") or their successors from time to time (the "**Agency Agreement**").

Statements in these terms and conditions (the "**Conditions**") are subject to the detailed provisions of the Trust Deed and the Agency Agreement, copies of which are available for inspection at the offices of the Paying Agent. The Trust Deed includes the forms of the Certificates. Certificateholders are entitled to the benefit of, are bound by and are deemed to have notice of (i) all the provisions contained in the Trust Deed (save, in the case of the Unsecured Certificateholders, certain provisions of the Trust Deed will not apply including, *inter alia*, provisions relating to the Security and the Security Trustee) and (ii) those provisions applicable to them of the Agency Agreement.

## 1. DEFINITIONS

**"Adjusted Maturity Date"** means, if applicable and specified, the Scheduled Maturity Date specified in the Final Terms, save that if the Issuer has not received by the Scheduled Maturity Date (a) the full cash proceeds of redemption of the Shares and/or the proceeds of realisation of the MS Certificates and/or payments under the applicable Swap, (b) in the context of a redemption of the Shares, the MS Certificates or the Swap, as applicable, due to be effected in kind, the cash proceeds of disposal or redemption of the assets underlying the Shares or (c) any other form of liquidation of the Shares, the MS Certificates or the Swap, as applicable, the Adjusted Maturity Date shall be the twentieth Business Day following such receipt;

**"Agents"** means the Paying Agent, the Registrar, the Transfer Agent, the Calculation Agent, the Certificate Custodian and, if specified in the Final Terms as being applicable, the Cash Account Bank;

**"Alternative Programme Agreements"** means those agreements documenting and/or approving other programmes entered into by the Issuer to issue secured and or unsecured certificates or notes that are separate from the Programme, provided that such other programmes that the Issuer enters into have substantially the same provisions in respect of security, if applicable, and limited recourse provisions as the Programme;

**"Business Day"** means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, Dublin and Jersey, Channel Islands and:

- (a) if the Specified Currency is a currency other than Euros, in the Principal Financial Centre of the Specified Currency; or
- (b) if the Specified Currency is Euros, a day on which TARGET is open.

**"Cash Account"** means, if specified in the Final Terms for a Series as applicable, the account for such Series held at the Cash Account Bank used for the purpose of holding residual cash arising from settlement procedures, dealing suspensions, deferrals or other such amounts as may be paid by the Company to the Issuer;

**"Cash Account Agreement"** means, if specified in the Final Terms for a Series as applicable, the Account Bank Agreement for such Series between the Issuer and the Cash Account Bank entered into on the date specified in the Final Terms in respect of the Cash Account;

**"Cash Account Bank"** means, if applicable, The Bank of New York Mellon, London Branch;

**"Certificate"** means a certificate issued in registered form for a Series pursuant to the Trust Deed;

**"Certificate Buy-back Amount"** means, for each Certificate being repurchased by the Issuer, an amount determined by the Calculation Agent, in its sole discretion, equal to the Net Realised Share NAV for each Share realised to effect the repurchase of such Certificates;

**"Certificate Price"** means, on any date on which such price is to be determined, an amount per Certificate equal to the Share NAV of the Shares held by the Issuer in

respect of such Certificates and/or the Shares referenced by the MS Certificates and/or the Swap as the case may be;

**"Certificate Redemption Amount"** means, for each Certificate being redeemed, an amount determined by the Calculation Agent, in its sole discretion, equal to the Net Realised Share NAV for each Share realised to effect the redemption of such Certificate;

**"Certificateholder"** or **"holder"** means (in relation to a Certificate) the holder of a Certificate or Certificates and shall be the person whose name is entered in the Register as the holder of a Certificate;

**"Company"** means any entity in which the Issuer invests the net proceeds of issue of the Certificates (other than the Initial Cash Account Amount) or of resale of the Custodian Certificates or in respect of which MS Certificates are subscribed or a Swap is entered into, the details of which are specified in the Final Terms for each Series;

**"Company Administrator"** means, in relation to each particular Series, the person specified in respect of a particular Company to act as that Company's administrator;

**"Company Business Day"** means a day (other than a Saturday or a Sunday or other day when banks and/or securities exchanges in the City of New York, New York, or the state or country of incorporation of the particular Company, are authorised or obligated by law to close);

**"Company Commodity Broker"** means, in relation to each particular Series, the person specified in respect of a particular Company to act as that Company's commodity broker;

**"Company Document"** means any prospectus (howsoever described) or supplement thereto of the Company or the constitutional documents of the Company or such other documentation issued by or entered into by the Company which is material to the Certificates in the determination of the Calculation Agent;

**"Company Investment Subscription Date"** means in relation to a request for sale of further Certificates to the Dealer, the second Company Business Day following the date on which such request has been received by the Issuer;

**"Company Manager"** means, in relation to each particular Series, the person specified in respect of a particular Company to act as that Company's manager;

**"Company Trading Adviser"** means, in relation to each particular Series, the person specified in respect of a particular Company to act as that Company's trading adviser;

**"Corporate Administrator"** means Crestbridge Corporate Services Limited, a company incorporated in Jersey with registered number 71285 and having its registered office at 47 Esplanade, St Helier, Jersey JE1 0BD;

**"Custodian Certificates"** means such of the Certificates repurchased from time to time by the Issuer and held on its behalf by the Certificate Custodian;

**"Dealer"** means Morgan Stanley & Co. International plc;

**"Dealer Agreement"** means the dealer agreement dated 29 June 2012, as amended, supplemented and/or amended and restated from time to time and made between the Issuer and the Dealer;

**"Expenses Agreement"** means the agreement dated 29 June 2012, as amended, supplemented and/or amended and restated from time to time between the Issuer and the Dealer;

**"Final Terms"** means the final terms for this Series as annexed to the Supplemental Trust Deed;

**"Fixed Maturity Date"** means, if applicable and specified, the Fixed Maturity Date specified in the Final Terms;

**"Illegality"** means the adoption of, or any change in, any applicable law after the Issue Date, or the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after the Issue Date, as a result of which it becomes unlawful for the Issuer, the Company Manager, the Company Trading Adviser, the Company Commodity Broker, the Company Administrator, the Company, the Dealer, the Paying Agent, the Certificate Custodian, the Calculation Agent, the Swap Counterparty (if applicable), the Corporate Administrator, the Note Trustee or the Security Trustee (if applicable) to comply with their obligations under the Relevant Agreements;

**"Initial Cash Account Amount"** means the amount, if any and specified in the Final Terms, that is deposited into the Cash Account on the Issue Date;

**"Maturity Date"** means for each Series either the Fixed Maturity Date or the Adjusted Maturity Date, as applicable;

**"MS Certificates"** means certificates issued by Morgan Stanley & Co. International plc and whereby the Issuer obtains exposure to the Shares;

**"Minimum Fee Amount"** means for a Series, if applicable, the amount specified in the relevant Final Terms;

**"Net Realised Share NAV"** means:

- (a) if "Method A" or "Method B" is specified in respect of Transaction Fees in the Final Terms, for each Certificate being repurchased by the Issuer or redeemed, an amount determined by the Calculation Agent, in its sole discretion, equal to the Realised Share NAV (under paragraph (a) of that definition) minus the Transaction Fees (if any);
- (b) if "Method C" is specified in respect of Transaction Fees in the Final Terms, the Portfolio Value divided by the outstanding number of Certificates (excluding any outstanding Custodian Certificates, if any) at the relevant date for calculation determined by the Calculation Agent in its sole discretion; or
- (c) if "Method D" is specified in the Final Terms and only in respect of unlisted Series, such other method of calculation as specified in the Final Terms;

**"Number of Certificates "** means the total number of Certificates (including for these purposes Custodian Certificates) outstanding on any date on which such number is to be determined by the Calculation Agent in its sole discretion;

**"Payment Business Day"** means any day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, and:

- (a) in the case of a payment in a currency other than Euros, a day on which foreign exchange transactions may be carried on in the Principal Financial Centre of the currency of payment; or
- (b) in the case of Euros, a day on which TARGET is open;

**"Periodic Basis"** means for a Series, if applicable, the periodic basis on which Transaction Fees are calculated and accrued as specified in the relevant Final Terms;

**"Portfolio Value"** means the sum of (a) the number of Shares held by the Issuer and/or the number of Shares referenced by the relevant MS Certificates and/or the Swap at the relevant date for calculation determined by the Calculation Agent in its sole discretion multiplied by the Realised Share NAV (under paragraph (b) of that definition) and (b) the value of the Cash Account (if any) less (c) any accrued (but not yet paid) Transaction Fees;

**"Principal Financial Centre"** means, for a Series, the Principal Financial Centre specified in the Final Terms and, in relation to any currency, the principal financial centre for that currency;

**"Programme"** means the US\$30,000,000,000 certificate programme of the Issuer established on 29 June 2012;

**"Realised Share NAV"** means:

- (a) if "Method A" or "Method B" is specified in respect of Transaction Fees in the Final Terms, on any date, an amount per Share (which for the purposes of calculating the Realised Share NAV includes any Shares, any MS Certificates or Swap as the case may be) determined by the Calculation Agent, in its sole discretion, equal to (a) the liquidated proceeds of the Collateral or the Underlying Assets, as the case may be, received by the Issuer in respect of the Shares and/or the MS Certificates (as the case may be) realised on such date for such purpose and/or payments received by the Issuer from the Swap Counterparty under the relevant Swap (if any) in respect of the termination in whole or in part of such Swap on the relevant date, divided by (b) either (i) in respect of Certificates being repurchased on any date under a buy-back, the number of Certificates being repurchased on such date or (ii) in respect of the final redemption of all Certificates, the number of outstanding Certificates; or
- (b) if "Method C" is specified in respect of Transaction Fees in the Final Terms, on any date, an amount per Share (which for the purposes of calculating the Realised Share NAV includes any Shares, any MS Certificates or Swap as the case may be) determined by the Calculation Agent, in its sole discretion, equal to the liquidated proceeds (net of any costs charged by the Company, in particular redemption fees in respect of the Shares) of the Collateral or the Underlying Assets, as the case may be, received by the Issuer in respect of the Shares and/or the MS Certificates (as the case may be) realised on such date for such purpose and/or payments received by the Issuer from the Swap Counterparty under the relevant Swap (if any) in



respect of the termination in whole or in part of such Swap on the relevant date; or

- (c) if "Method D" is specified in the Final Terms and only in respect of unlisted Series, such other method as specified in the Final Terms;

**"Relevant Agreement"** means the Trust Deed, the Agency Agreement, the Dealer Agreement, the Expenses Agreement, the purchase agreement in respect of any MS Certificates, the Swap (if applicable) and the Cash Account Agreement (if applicable);

**"Relevant Date"** means, in respect of a Certificate, the date on which payment in respect thereof first becomes due or (if the full amount of the moneys payable in respect of all the Certificates due on or before that date has not been duly received by the Paying Agent or, if applicable, the Note Trustee on or before that date) the date on which notice that the full amount of such moneys has been received is duly given to the Certificateholders in accordance with Condition 17;

**"Requested Fungible Notional"** means, in relation to a Company Investment Subscription Date, the aggregate value of the Certificates which the Dealer wishes to purchase per investor on a Company Investment Subscription Date;

**"Scheduled Maturity Date"** means, if applicable and specified, the Scheduled Maturity Date specified in the Final Terms;

**"Secured Certificateholders"** means the Certificateholders of Secured Certificates;

**"Secured Series"** means a Series of Secured Certificates;

**"Secured Series Custodian Certificates"** means the Custodian Certificates in respect of Secured Certificates;

**"Share NAV"** means the most recently available published net asset value of the Shares determined by or on behalf of the Company;

**"Shares"** means, for each particular Series, the shares or interests in a Company that have been specified in the Final Terms which will be referenced in a Swap or Swaps and/or referenced in any MS Certificates and/or which the Issuer has acquired from the net proceeds of sale of the Certificates (other than the Initial Cash Account Amount) or of resale of the Custodian Certificates;

**"Specified Currency"** means the currency specified in the Final Terms or, if none is specified, the currency in which the Certificates are denominated, which shall be the same currency as the Shares, Swaps(s) and/or MS Certificate(s) related to such Certificates are denominated in;

**"Subscription Conditions Precedent"** means the conditions precedent to the issue of the Certificates and purchase of Custodian Certificates on a Company Investment Subscription Date as set out in the Dealer Agreement;

**"Swap"** means a total return swap entered into with the Swap Counterparty which references the Shares of the Company and whereby the Issuer obtains exposure to the Shares;

**"Swap Counterparty"** means Morgan Stanley & Co. International plc;

**"TARGET"** means the Trans-European Automated Real Time Gross Settlement Express Transfer system;

**"Tax Event"** means that the Issuer is or would be required by law, or is expected at any time, to withhold or account for any tax on any payment to be made by it on or in connection with the Certificates or would suffer, or expects to at any time suffer, or is expected at any time to suffer, tax in respect of its income or its investments or receivables;

**"Transaction Fees"** means:

- (a) if "Method A" is specified in the Final Terms, none;
- (b) if "Method B" is specified in the Final Terms, a percentage per annum (as specified in the Final Terms) of the Certificate Price which is calculated and accrued on a daily basis. Such Transaction Fees will be deducted by the Calculation Agent from the Certificate Buy-back Amount and/or the Certificate Redemption Amount, as applicable, upon a voluntary repurchase and/or final redemption, as applicable, and be paid to the Dealer as soon as reasonably practicable thereafter;
- (c) if "Method C" is specified in the Final Terms, a percentage per annum (as specified in the Final Terms, and subject to a minimum of, if applicable, the Minimum Fee Amount per annum specified in the Final Terms) of the Certificate Price which is calculated and accrued on such Periodic Basis as specified in the Final Terms; or
- (d) if "Method D" is specified in the Final Terms and only in respect of unlisted Series, such other method as specified in the Final Terms;

**"Unsecured Certificateholders"** means the Certificateholders of Unsecured Certificates;

**"Unsecured Series"** means a Series of Unsecured Certificates; and

**"Unsecured Series Custodian Certificates"** means the Custodian Certificates in respect of Unsecured Certificates.

## **2. FORM AND TITLE**

The Certificates are issued in Series (each a **"Series"**) in registered form, serially numbered, in nominal amounts of US\$1.00 each (or its equivalent in other currencies rounded upwards as agreed between the Issuer and the Dealer). The minimum value of Certificates that can be subscribed for by an investor shall be an amount in US\$ (or the equivalent in other currencies) such that the equivalent amount in Euros as at the date of such subscription or transfer shall be €100,000.

An existing Certificateholder may subsequently subscribe for any number of additional certificates. If a new investor were to purchase Certificates on a date other than the issue date for such certificates from the Issuer or through the secondary market, then such investor will have to subscribe for a sufficient number of Certificates so that the purchase price payable therefor will be the US\$ equivalent (or the equivalent in other currencies), at such time, of €100,000 or more.

*The Certificates are not issuable in bearer form.*

The Certificates are represented by registered definitive certificates (**"Definitive Certificates"**), serially numbered, each Definitive Certificate representing a holding of one or more Certificates by the same holder.

Title to the Certificates shall pass by registration in the register (the "**Register**") that the Issuer shall procure to be kept by the Registrar in accordance with the Agency Agreement.

Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Certificate shall be deemed to be and may be treated by the Issuer, the Note Trustee, the Security Trustee, if applicable, and the Paying Agent as the absolute owner of such Certificate for the purpose of receiving payment thereon or on account thereof and for all other purposes, whether or not such Certificate shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

The Certificates will initially be represented by a global certificate (the "**Global Certificate**"), interests in which will be exchangeable for registered Definitive Certificates in the circumstances specified in the Global Certificate. The Global Certificate will be deposited with and registered in the name of a nominee for the common depository for Euroclear or Clearstream, Luxembourg (the "**Common Depository**"). Each subscriber will be credited in the records of Euroclear or Clearstream, Luxembourg with a number of Certificates equal to the number thereof for which it has subscribed and paid.

### **3. TRANSFERS OF CERTIFICATES**

#### **(a) Transfer of Certificates**

Subject to Condition 3(e), provided that the minimum value of Certificates transferred by a Certificateholder is the US\$ equivalent (or the equivalent in other currencies), at such time, of €100,000 and such Certificateholder does not hold Certificates with an aggregate value of less than the US\$ equivalent (or the equivalent in other currencies), at such time, of €100,000 following such transfer, Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Definitive Certificate or Global Certificate (as applicable) representing such Certificate to be transferred, together with the form of transfer endorsed on such Definitive Certificate or Global Certificate (as applicable) (or another form of transfer substantially in the same form and containing the same representations and certificates (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Definitive Certificate, a new Definitive Certificate shall be issued to the transferee in respect of the part transferred and a further new Definitive Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Certificates and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

The Registrar shall as soon as practicable inform the Issuer on any amendment made to the Register.

#### **(b) Exercise of a partial repurchase of Certificates**

In the case of the Issuer agreeing to a partial repurchase of a holding of Certificates represented by a single Definitive Certificate, a new Definitive

Certificate shall be issued to the holder to reflect the balance of the holding not repurchased. New Definitive Certificates shall only be issued against surrender of the existing Definitive Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Definitive Certificate representing the enlarged holding shall only be issued against surrender of the Definitive Certificate representing the existing holding.

(c) **Delivery of new Definitive Certificates**

Each new Definitive Certificate to be issued pursuant to Conditions 3(a) or (b) shall be available for delivery within five business days of receipt of the form of transfer or repurchase request and/or surrender of the Definitive Certificate. Delivery of the new Definitive Certificates shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, repurchase request or Definitive Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, repurchase request or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Definitive Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(c) "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar.

(d) **Exchange free of charge**

Exchange and transfer of Definitive Certificates on registration, transfer or partial repurchase shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it.

(e) **Closed periods**

No Certificateholder may require the transfer of a Certificate to be registered for one or more Certificates (i) during the period of 15 days ending on the due date for redemption of that Certificate or (ii) after any such Certificate has been called for repurchase or redemption.

**4. STATUS, SECURITY AND ASSETS OF THE ISSUER**

(a) **Status**

The Certificates constitute limited recourse obligations of the Issuer and are secured or unsecured (as specified in the Final Terms), ranking *pari passu*, without any preference among themselves, (which, in the case of Secured Certificates, are secured in the manner described in this Condition 4) and recourse in respect of which is limited as described in Condition 13.

(b) **Mortgaged Property**

If it is stated in the Final Terms that the Certificates are Secured Certificates then, unless otherwise specified in the Supplemental Trust Deed, the obligations of the Issuer to the Note Trustee and the Secured Certificateholders under the Trust Deed and the Secured Certificates are

secured by the following charges and/or assignments (the "**Security**") granted in favour of the Security Trustee pursuant to the Trust Deed and subject to the provisions of this Condition 4:

- (i) a first fixed charge over, and/or assignment of, (A) the assets and/or other property of the Issuer specified as such in the Supplemental Trust Deed, including without limitation, the Cash Account, if applicable (the "**Collateral**"), (B) all proceeds of, income from and sums arising from the Collateral, (C) all rights attaching to or relating to the Collateral including without limitation any right to delivery of such securities or to an equivalent number or nominal value thereof which arises in connection with any such assets being held in a clearing system or through a financial intermediary and (D) all assets and property hereafter belonging to the Issuer and deriving from such assets or the rights attaching thereto;
- (ii) an assignment by way of first fixed security of the Issuer's rights, title and interest under the Agency Agreement, to the extent that such rights relate to sums held to meet payments due in respect of the Certificates, and a first fixed charge over all sums held by the Paying Agent to meet payments due in respect of the Certificates or by the Issuer in relation to the Collateral; and
- (iii) an assignment by way of first fixed security of the Issuer's rights, title and interest under any agreement by which the Issuer purchases the Collateral and/or under the Swap.

The assets described in (i), (ii) and (iii) above are together referred to herein as the "**Mortgaged Property**".

Cash flows generated by the Mortgaged Property will be utilised by the Issuer in making payments due in respect of the Secured Certificates.

(c) **Unsecured Series Property**

If it is stated in the Final Terms that the Certificates are Unsecured Certificates then, unless otherwise specified in the Supplemental Trust Deed, the obligations of the Issuer to the Note Trustee and the Unsecured Certificateholders and the Unsecured Certificates are not secured and instead the Unsecured Certificates will rely for their payment on *inter alia* and, in the case of (iv) below have the benefit of, the contractual rights of the Issuer in respect of:

- (i) (A) the assets and/or other property of the Issuer specified as such in the Supplemental Trust Deed, including without limitation, the Cash Account, if applicable (the "**Underlying Assets**"), (B) all proceeds of, income from and sums arising from the Underlying Assets, (C) all rights attaching to or relating to the Underlying Assets including without limitation any right to delivery of such securities or to an equivalent number or nominal value thereof which arises in connection with any such assets being held in a clearing system or through a financial intermediary and (D) all assets and property hereafter belonging to the Issuer and deriving from such assets or the rights attaching thereto;

- (ii) the Issuer's rights, title and interest under the Agency Agreement, to the extent that such rights relate to sums held to meet payments due in respect of the Certificates, and all sums held by the Paying Agent to meet payments due in respect of the Certificates or by the Issuer in relation to the Underlying Assets;
- (iii) the Issuer's rights, title and interest under any agreement by which the Issuer purchases the Underlying Assets and/or under the Swap; and
- (iv) the Issuer's rights, title and interest under the terms and conditions of other certificates of other series which limit the recourse of the certificateholders of such other series.

The assets described in (i), (ii), (iii) and (iv) above are together referred to herein as the **"Unsecured Series Property"**.

Cash flows generated by the Unsecured Series Property will be utilised by the Issuer in making payments due in respect of the Certificates though no security will be taken over any such Unsecured Series Property.

(d) **Balancing Amounts**

Following the sale of Certificates to the Dealer for on sale to Certificateholders and the determination by the Calculation Agent of the Balancing Amounts (if any), any Balancing Amounts payable to the Dealer will be retained by the Issuer.

(e) **Custodian Certificates**

On the Issue Date, the Issuer will repurchase the number of Certificates stated in the Final Terms from the Dealer at their issue price. The Certificates so repurchased by the Issuer will be held by the Certificate Custodian on behalf of the Issuer on or about the date in which they are repurchased. Custodian Certificates carry no voting rights, do not bear interest and no amount of interest or principal is payable thereon and are not secured by any property.

(f) **Conditions Precedent to sale of Certificates after the Issue Date**

On any Business Day after the Issue Date of a Series the Issuer may sell, via the Dealer, to existing or new Certificateholders further Certificates in such Series on the next Company Investment Subscription Date (by transferring Custodian Certificates which upon transfer will become Certificates with all the rights that the other Certificates have), subject to the following conditions and provided that:

- (1) the Company continues to accept new subscription requests for the amount of Shares which may be purchased using the proceeds of sale of such Custodian Certificates;
- (2) the Calculation Agent has confirmed that the Issuer is expected on the next Company Investment Subscription Date to have a sufficient number of Custodian Certificates available for purchase to meet each individual Certificateholder's request;
- (3) the Subscription Conditions Precedent have been satisfied; and

- (4) the Requested Fungible Notional is equal to or greater than the US\$ equivalent (or the equivalent in other currencies), at such time, of €100,000 (or such other greater amount as may be agreed between the Calculation Agent and the Dealer).

On a Business Day on which the Dealer has requested the Sale of Custodian Certificates, the Issuer will direct the Certificate Custodian to sell to the Dealer for on-sale to the existing or new Certificateholders and the Dealer will agree to purchase on the following Company Investment Subscription Date such number of Custodian Certificates as the Calculation Agent in its sole discretion may determine following publication of the Share NAV on the relevant Company Investment Subscription Date, and the Dealer will pay to the Certificate Custodian no later than 2pm on the date falling two Company Business Days prior to such Company Investment Subscription Date an amount equal to the Requested Fungible Notional and the Certificate Custodian will remit such amount promptly to the Company and/or the MS Certificate Issuer and/or the Swap Counterparty, if applicable, on behalf of the Issuer.

The Custodian Certificates being sold will be sold to the Dealer at the Certificate Price as of the relevant Company Investment Subscription Date and will cease to be Custodian Certificates as of such date.

The total number of Custodian Certificates sold to the Dealer as of any Company Investment Subscription Date will be equal to the number of Shares that have been subscribed for by the Issuer on such date and/or, if applicable, the number of MS Certificates referencing the Shares and/or the number of Shares referenced in the Swap entered into by the Issuer in respect of the Shares, as determined by the Company Administrator (such number, the "**Additional Certificate Number**").

If the product of the Additional Certificate Number and Certificate Price as of the relevant Company Investment Subscription Date is less than an amount in US dollars equivalent of the Requested Fungible Notional (such difference, a "**Balancing Amount**"), then any Balancing Amount due to the Dealer on behalf of the Certificateholders shall be retained by the Issuer.

(g) **Enforcement of the Security**

If the Certificates are Secured Certificates (other than the Secured Series Custodian Certificates), the Security will become enforceable upon the Note Trustee giving an Enforcement Notice (as defined in Condition 12) to the Issuer and the Security Trustee. If the Security has become enforceable, the Security Trustee shall enforce the Security if directed to do so in writing by the Note Trustee, as directed in writing by the Certificateholders holding one-quarter of the aggregate principal amount of the Certificates then outstanding or as directed by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Certificates, subject to the Note Trustee and the Security Trustee having been indemnified and/or secured and/or prefunded to their satisfaction. To the extent that the Note Trustee and the Security Trustee act in accordance with the directions of the Certificateholders provided as described above, neither the Note Trustee nor the Security Trustee shall have any obligation to take the interests of any other party into account or to follow any direction given by any other party and shall have no liability to any person for acting on such instructions.

Upon enforcement of the Security, the Custodian Certificates will be cancelled and no payment thereon will be due.

(h) **Application of proceeds**

(i) **Enforcement, Mandatory Redemption, Acceleration**

On the occurrence of a Mandatory Redemption Event pursuant to Condition 7(b), and on enforcement of the Security (solely in the case of Secured Certificates) and/or acceleration of the Certificates following the occurrence of an Event of Default, moneys available for distribution shall be applied in or towards satisfaction of the following amounts in the following order of priority:

- (1) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities incurred by the Note Trustee and, in the case of the Secured Certificates only, the Security Trustee or any receiver in preparing and executing the trusts in the Trust Deed in relation to the Certificates and in carrying out their functions under the Trust Deed (including any taxes required to be paid, (solely in the case of Secured Certificates) the costs of realising any security, and the Note Trustee's and/or the Security Trustee's remuneration) to the extent not paid pursuant to the Expenses Agreement;
- (2) secondly, to pay the fees, costs, charges, expenses and liabilities incurred by the Agents in carrying out their functions under the Agency Agreement or, if applicable, the Cash Account Agreement, to the extent not paid pursuant to the Expenses Agreement;
- (3) thirdly, rateably in meeting the claims (if any) of the Certificateholders. If the moneys received are not enough to pay such amounts in full, such amounts shall be applied *pro rata* on the basis of the amount due to each party entitled to such payment;
- (4) fourthly, in payment of the balance (if any) to the Issuer.

(ii) **Early repurchase**

On an early repurchase of the Certificates pursuant to Condition 7(c), the Issuer will repurchase each certificate at the Certificate Buy-Back Amount within two Company Business Days of the Purchase Date or such other date set out in Condition 7(c).

(i) **Shortfall after application of proceeds**

If the net proceeds of (i) in the case of Secured Certificates, the Security being enforced and liquidated in accordance with the Trust Deed or (ii) in the case of Unsecured Certificates, the liquidation of the Unsecured Series Property are not sufficient, after payment of the claims (if any) ranking in priority to the Certificates, to cover all payments due in respect of the Certificates, the obligations of the Issuer in respect of the Certificates will be limited to such net proceeds and such net proceeds shall be applied in accordance with the Trust Deed and no other assets of the Issuer will be available for any further payments in respect of the Certificates. The right to



receive any further payments in respect of any shortfall remaining after enforcement of the Security or liquidation of the Unsecured Series Property, as applicable, and application of the proceeds thereof in accordance with the Trust Deed shall be extinguished and failure to make any payment in respect of any shortfall shall in no circumstances constitute an Event of Default (as defined in Condition 12).

## **5. COVENANTS OF THE ISSUER**

Save as provided in or contemplated by the Relevant Agreements or the Alternative Programme Agreements, with the prior written consent of the Note Trustee, the Issuer shall not, so long as any Certificate remains outstanding (as defined in the Trust Deed):

- (a) use, invest, sell, transfer, exchange, factor, assign, lease, hire out, lend or dispose of, or otherwise deal with, any of its property or assets or any interest therein or grant any option or right to acquire the same or agree or attempt or purport to do any of the same;
- (b) lend money;
- (c) purchase, own lease or otherwise acquire any real or heritable property (including office premises or like facilities);
- (d) (1) create or permit to exist upon or effect any mortgage, charge, pledge, lien or other encumbrance whether fixed, floating or otherwise, upon the whole or any part of its property or assets, present and future other than in any case as may arise by operation of law or (2) sign, file or register under applicable law any mortgage, debenture or the like which names the Issuer as debtor, or sign or enter into any security agreement authorising any secured party thereunder to file or register such mortgage, debenture or the like, except, in relation to (1) and (2) above in the case of the Secured Certificates, any such instrument solely securing the rights and preserving the security of the Security Trustee;
- (e) guarantee, act as surety for or become obligated for the debts of any other entity or person or enter into any agreement with any other entity or person whereby it agrees to satisfy the obligations of such entity or person or any other entity or person;
- (f) consolidate with or merge with or into any other person or convey or transfer its properties or assets substantially in their entirety to any person;
- (g) have, form or cause to be formed any subsidiary or have any employees or premises;
- (h) issue any further shares, or issue any warrants or options in respect of shares, or securities convertible into or exchangeable for shares;
- (i) issue any certificates in respect of which the recourse of the Certificateholders is not limited to Series Property (as defined in the relevant final terms);
- (j) declare or pay any dividend (other than a dividend of up to US\$750 per Series or other series under alternative programmes of the Issuer) or make any other distribution to the holders of any of its shares;

- (k) open, operate or have an interest in any bank account relating to the Certificates, save as may be contemplated by the Relevant Agreements;
- (l) permit the validity or effectiveness of any of the Relevant Agreements, or, in the case of Secured Certificates, the priority of the security interests created thereby, to be amended, terminated or discharged, or consent to any variation of, or exercise of any powers of consent or waiver pursuant to the terms of, the Trust Deed, these Conditions or any of the other Relevant Agreements, or permit any party to any of the Relevant Agreements or, in the case of Secured Certificates, any other person whose obligations form part of the Security to be released from such obligations, or, in the case of Secured Certificates, dispose of any interest in any of the Security;
- (m) approve, sanction or propose any amendment to its constitutional documents; or
- (n) engage in any activity that could cause it to become subject to any tax on its income in any jurisdiction (other than at a rate of zero per cent.).

In giving any consent to the foregoing in respect of Certificates, the Note Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Relevant Agreements (and may itself consent thereto on behalf of the Certificateholders) or may impose such other conditions or requirements as the Note Trustee may deem expedient (in its absolute discretion) in the interests of the Certificateholders and may rely on any written confirmation from the Issuer as to the matters contained therein. Any modification or additions to the provisions of any of the Relevant Agreements shall be binding on the Certificateholders of such Series.

## **6. INTEREST**

The Certificates will not bear interest.

## **7. REDEMPTION**

### **(a) Final redemption**

Unless previously redeemed as provided in this Condition, the Issuer will redeem each Certificate in an amount per Certificate equal to the Certificate Redemption Amount on the Maturity Date.

The Issuer may not redeem any Certificate in whole or in part prior to the Maturity Date except as provided in Conditions 7(b) and (c).

With respect to the Maturity Date the Issuer will request the realisation of the Shares and/or the MS Certificates and/or request payments under the Swap or Swaps, if applicable, in sufficient time to allow the Company to redeem or realise the underlying assets by the Maturity Date so that the only amount payable in respect of the Certificates on the Maturity Date shall be the Certificate Redemption Amount. If a Fixed Maturity Date is specified in the Final Terms, and if any amounts are received by the Issuer after the Maturity Date then such amounts shall be retained by the Issuer and available to be distributed to ExcelEdge Holdings Limited for the benefit of the ExcelEdge Limited Trust. If a Scheduled Maturity Date is specified in the Final Terms, then if the Issuer has not received by such Scheduled Maturity Date (a) the full cash proceeds of redemption of the Shares and/or the MS Certificates and/or payments under the Swap or Swaps, if applicable, (b) in the context of a redemption of the Shares due to be effected in kind, the

cash proceeds of disposal or redemption of the assets underlying the Shares or (c) any other form of liquidation of the Shares, the Maturity Date shall be the twentieth Business Day following such receipt.

All Custodian Certificates outstanding (as defined in the Trust Deed) on the Maturity Date shall be cancelled.

(b) **Mandatory early redemption**

If:

- (i) at any time prior to the Maturity Date, if it is specified in the relevant Final Terms that the Issuer may determine in its sole discretion to redeem all Certificates and the Issuer so determines; or
- (ii) at any time prior to the Maturity Date, the Calculation Agent determines that an Early Termination Event has occurred which it does not waive; or
- (iii) at any time prior to the Maturity Date, an additional Early Termination Event as set out in the relevant Final Terms for such Certificates occurs

(each, a "**Mandatory Redemption Event**") then all of the Certificates which are in issue at such time will be redeemed and the remaining Custodian Certificates will be cancelled.

If, at the time of such Mandatory Redemption Event, there were purchasers who were to purchase new Certificates on a date after the occurrence of the Mandatory Redemption Event and consequently the Dealer was to request a transfer of Custodian Certificates, then such transfer of Custodian Certificates shall be cancelled and the subscription for new Certificates shall not take place.

Upon the occurrence of a Mandatory Redemption Event, the Issuer shall forthwith give not more than two Company Business Days' prior notice (or such other notice period as indicated in the Trust Deed) of the date of such mandatory redemption (the "**Redemption Date**") to the Note Trustee, the Swap Counterparty (if applicable), the Certificateholders and the Paying Agent (which notice shall be irrevocable). The Issuer will pay any amount due and payable to the Note Trustee and/or the Security Trustee and/or the Agents, to the extent not paid pursuant to the Expenses Agreement, and then redeem the Certificates in an amount per Certificate equal to the Certificate Redemption Amount on the date falling two Company Business Days after the Redemption Date (or such other number of days specified in the Final Terms) subject to the Issuer having received the proceeds of realisation of the Shares and/or the MS Certificates and/or the payments under the Swap (if applicable) one Company Business Day after such Redemption Date. If receipt of the proceeds of realisation of the Shares and/or the MS Certificates and/or the payments under the Swap (if applicable) is delayed the redemption of the Certificates will be effected within two Company Business Days of receipt thereof. If the Issuer subsequently receives, within 60 days of the Redemption Date, further amounts from the Company from the realisation of Shares and/or the MS Certificates and/or payments under the Swap (if applicable) in respect of the Certificates, then the Issuer will pay to the former Certificateholders their pro

rata share of any such amounts (such payment, a "**Supplemental Redemption Amount**").

No payment will be made in respect of the Certificates until any amount due and payable to the Note Trustee and/or the Security Trustee and/or the Agents, to the extent not paid pursuant to the Expenses Agreement, has been paid in full.

No payment will be made in respect of Custodian Certificates.

The following events shall each constitute an "**Early Termination Event**", in each case as determined by the Calculation Agent and if it determines this is material for the purposes of the Certificates:

- (i) the occurrence of a Tax Event or an Illegality;
- (ii) the currency of the Shares and/or its net asset value is no longer calculated in the Specified Currency;
- (iii) in the case of a Share issued by a Company as part of a fund, the Company Administrator fails to calculate and publish the Share NAV for one week or more or the Share NAV is not published in accordance with the procedures prevailing as of the Issue Date;
- (iv) the Company introduces a redemption fee or subscription fee, or any other fee not otherwise payable on the Issue Date under the Company offering document that a holder of a Share has to bear;
- (v) there is a change in tax treatment which could have an adverse economic impact for a holder of a Share;
- (vi) in the case of a Company that issues Shares as part of a fund, the Company is closed or an investor is unable to purchase or sell Shares on a daily basis;
- (vii) the Company is wound up or terminated or any regulatory approval or registration is cancelled or is under review (due to wrongdoing, breach of any rule or regulation or other reason);
- (viii) the occurrence of any event or circumstance (whether or not in accordance with the rules of the Company) which obliges a holder of a Share to sell or dispose of such Share;
- (ix) the Issuer advises that it is unable, after using commercially reasonable efforts, or would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to:
  - (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Certificates; or
  - (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s);
- (x) any event occurs that the Calculation Agent, acting in good faith and in a commercially reasonable manner, determines may have a

materially detrimental effect on the risk profile of the Certificates for the Issuer;

- (xi) in the case of a Company that issues Shares as part of a fund, there is a declaration by or on behalf of the Company of an actual or proposed compulsory termination or redemption of or any dividend or distribution in respect of the Shares;
- (xii) in the case of a Company that issues Shares as part of a fund, the suspension by the Company of acceptance of subscriptions or redemptions for Shares whether or not in accordance with the Company Documents;
- (xiii) an order has been made or an effective resolution passed for the winding up, dissolution or termination of the Company Trading Adviser, the Company Manager, the Swap Counterparty (if applicable) or any of their respective affiliates;
- (xiv) the Company is dissolved or ceases to exist or circumstances occur that will cause it to be dissolved or cease to exist;
- (xv) any action, condition or circumstance necessary to enable the Company to lawfully enter into, exercise its rights and perform and comply with its obligations has not been taken, fulfilled or completed or has been cancelled;
- (xvi) any action, suit, proceeding, inquiry or investigation has been taken or brought, or is pending, by any court, governmental or regulatory body or agency against the Company or any authorised representative or any affiliate of the Company Trading Adviser or the Company Manager;
- (xvii) the Shares are reclassified, the Company is consolidated, amalgamated or merged with another company whose investment objectives, risk profile and/or investment objectives are different to those of the Company at the Issue Date or a resolution is proposed to effect any such reclassification, consolidation, amalgamation or merger;
- (xviii) there is (i) a transfer or an irrevocable commitment to transfer all of the Shares or the shares in the Company Trading Adviser or the Company Manager to another entity or person, (ii) a consolidation, amalgamation or merger of the Company or the Company Trading Adviser or the Company Manager with or into another entity or person (other than a consolidation, amalgamation or merger in which the Company or the Company Trading Adviser or the Company Manager, as applicable, is the continuing entity and which does not result in a reclassification or change of all of the Shares or the shares in the Company Trading Adviser or the Company Manager, as applicable), or (iii) a takeover offer, tender offer, exchange offer, solicitation or other event by any entity or person to acquire all of the Shares or the shares in the Company Trading Adviser or the Company Manager;
- (xix) a change in law that requires the imposition or deduction of withholding tax which increases the effective dealing costs of subscribing for, holding, or redeeming the Shares or MS Certificates;

- (xx) a change in law, taxation or regulation, including capital adequacy or similar requirements, or in the constitution of the Company occurs or is likely to occur which may have a material adverse effect on (i) the ability of an investor to hold, purchase, sell or redeem Shares or MS Certificates; (ii) the costs that are or will be incurred by an investor in purchasing, selling, holding or redeeming Shares or MS Certificates; or (iii) the value of the Shares or MS Certificates;
- (xxi) any event has occurred which is likely to have a material adverse effect on the solvency or liquidity of the Company and/or the Shares and/or the MS Certificates, including, but not limited to, any material litigation concerning the Company which involves any holder(s) of Shares;
- (xxii) the making of any material reservation, warning and/or provision in an audit report of the Company (whether generally or in respect of any class or series of shares or units) by the auditor of the Company;
- (xxiii) there is an actual or proposed change to the investment strategy being pursued by the Company in respect of the Shares;
- (xxiv) there is an actual or proposed material change to the Company Documents;
- (xxv) the Company is in breach of the Company Documents or any investment guidelines or either the Company Trading Adviser or the Company Manager is in breach of its investment management agreement (howsoever described) with the Company;
- (xxvi) the appointment of the Dealer pursuant to the Dealer Agreement has been terminated;
- (xxvii) any other event or circumstance exists or occurs in relation to the Company, the Shares, the MS Certificates, agents or service providers of the Company, the Swap, the Certificates or the MS Certificates which the Calculation Agent determines is analogous to any other Early Termination Event and/or has or may have a material adverse effect on the Company, the Share, the MS Certificates or the Certificates;
- (xxviii) any additional Early Termination Event set out in the Final Terms.

Upon the occurrence of any Early Termination Event the Calculation Agent shall notify the Issuer, the Note Trustee and the Security Trustee in writing of such occurrence. The Note Trustee and the Security Trustee shall be entitled to rely on such notice without liability to any person. Neither the Note Trustee nor the Security Trustee shall be under any duty to monitor whether an Early Termination Event has occurred and in the absence of express notice to the contrary from the Calculation Agent shall assume no such event has occurred and shall have no liability to any person for doing so.

(c) **Early repurchase**

If a Certificateholder or Certificateholders request repurchase by the Dealer and the Dealer requests the Issuer to repurchase on no less than one

Company Business Day's notice, the Issuer may agree in its sole discretion to repurchase one or more Certificates on a Company Business Day (each, a "**Purchase Date**"). On the date on which the Issuer receives notice of such repurchase request, the Calculation Agent will request the Company to redeem a number of Shares and/or MS Certificates and/or request the Swap Counterparty make a payment under the Swap, in each case, in respect of a number of Shares equal to the number of Certificates being repurchased by the Issuer or, if Transaction Fees are paid using "Method C" or (in the case of unlisted Certificates only) "Method D", such number of Shares and/or MS Certificates and/or payment amount under the Swap as determined by the Calculation Agent in its sole discretion.

The Certificates repurchased on such Purchase Date shall be repurchased in an amount per Certificate equal to the Certificate Buy-back Amount. Payment will be made to the Certificateholders two Company Business Days after the Purchase Date (or such other number of days specified in the Final Terms), subject to the Issuer having received the proceeds of realisation of the Shares and/or the MS Certificates and/or the payments under the Swap (if applicable) one Company Business Day after such Purchase Date. If receipt of the proceeds of realisation of the Shares and/or the MS Certificates and/or the payments under the Swap (if applicable) is delayed the repurchase of the Certificates will be effected within two Company Business Days of receipt thereof by the Issuer.

If, in respect of any Certificates repurchased prior to the Maturity Date, the Issuer subsequently receives, within 60 days of the Purchase Date of such Certificates, further amounts from the Company from the realisation of Shares and/or MS Certificates and/or payments under the Swap (if applicable) in respect of such Certificates, then the Issuer will pay to the former Certificateholders their pro rata share of any such amounts. Any amounts received by the Issuer from the Company, the MS Certificate Issuer or the Swap Counterparty after such 60 days will be retained by the Issuer.

No more than one repurchase request may be made by the Dealer to the Issuer in relation to the same Purchase Date.

(d) **Payment of Transaction Fees**

- (i) If "Method A" is specified in respect of Transaction Fees in the Final Terms, then no Transaction Fees shall be paid by the Issuer.
- (ii) If "Method B" is specified in respect of Transaction Fees in the Final Terms, Transaction Fees shall be paid in accordance with the method specified under paragraph (b) of the definition of Transaction Fees.
- (iii) If "Method C" is specified in respect of Transaction Fees in the Final Terms, Transaction Fees shall be paid as follows:
  - (1) **Calculation Basis.** The Transaction Fees will accrue on the Periodic Basis for such Series and will be calculated on the Periodic Basis using the most recently available Certificate Price, for the period from and including the Issue Date or such other date as may be specified in the Final Terms to and including the last day of the Periodic Basis immediately preceding the Maturity Date or such other date as may be specified in the Final Terms. Should the Company provide a

net asset value in respect of any additional redemption day in respect of the Shares ("**Extraordinary Dealing Day**"), the Transaction Fee will accrue in respect of each month in which any such Extraordinary Dealing Day may occur from the date it was last calculated to the valuation date in respect of such Extraordinary Dealing Day and from such valuation date to the next date as of which the net asset value of the Shares is to be calculated.

(2) **Frequency of Payment**

- (a) If the Final Terms specify "First Year only", the Transaction Fees in respect of the period from and including the Issue Date or such other date as may be specified in the Final Terms to but excluding the first anniversary of the Issue Date or such other date as may be specified in the Final Terms (the "**First Year Fees**") will be payable in arrear as soon as practicable following calculation of the full First Year Fees.
- (b) If the Final Terms specify "Yearly", the Transaction Fees will be calculated in respect of the period from and including the Issue Date or such other date as may be specified in the Final Terms to but excluding the first anniversary of the Issue Date or such other date as may be specified in the Final Terms (the "**First Regular Year Fees**"). The Transaction Fees in respect of each subsequent yearly period will be calculated from and including the last anniversary of the Issue Date or such other date as may be specified in the Final Terms to but excluding the next anniversary of the Issue Date or such other date as may be specified in the Final Terms (each, a "**Subsequent Year Fees**"). The First Regular Year Fees and Subsequent Year Fees will be payable in arrear as soon as practicable following calculation of such year's Transaction Fees.

- (3) **Liquidity to effect payment of Transaction Fees.** To effect the payment of the First Year Fees, the First Regular Year Fees and each Subsequent Year Fees, as applicable the Calculation Agent shall calculate and request the Company to redeem such round number of Shares so that the number of Shares being redeemed multiplied by the Share NAV on such date is an amount equal to the First Year Fees, the First Regular Year Fees or such Subsequent Year Fees, as applicable, or if no round number of Shares would result in an amount equal to the First Year Fees, the First Regular Year Fees or such Subsequent Year Fees, as applicable, then the highest number of Shares whose proceeds of redemption are an amount that is nearest to but



less than the First Year Fees, the First Regular Year Fees or such Subsequent Year Fees, as applicable, payable on such date. Any remaining First Year Fees, First Regular Year Fees or such Subsequent Year Fees, as applicable, shall remain due and shall be payable pro rata from any Certificate Buy-back Amount and/or Certificate Redemption Amount.

If the proceeds of the issue of the Certificates have been used to purchase MS Certificates that reference the Shares and/or have been used to enter into a Swap with the Swap Counterparty, then the Calculation Agent shall request the redemption of an applicable number of MS Certificates and/or termination in part of the Swap on the basis set out in paragraph (3) above, adjusted, if necessary, in its sole discretion.

Following the payment of First Year Fees, the First Regular Year Fees and each Subsequent Year Fees, as applicable, for the purposes of calculating the "Realised Share NAV" the number of Shares attributable to each Certificateholder's Certificates shall be reduced pro rata by the amount of Shares redeemed to pay the First Year Fees, the First Regular Year Fees and each Subsequent Year Fees, as applicable.

- (4) **Payment of Transaction Fees on redemption.** Any accrued (but not yet paid) Transaction Fees up to including the last day of the Periodic Basis immediately preceding any redemption date for the Certificates shall be deducted from the Certificate Buy-back Amount and/or the Certificate Redemption Amount, as applicable in respect of a Certificate.

- (iv) If "Method D" is specified in respect of Transaction Fees in the Final Terms and only in respect of unlisted Series, Transaction Fees shall be paid using such other method as specified in the Final Terms.

## 8. SUBORDINATION

No payment may be made to the Certificateholders on the Maturity Date until any amount due and payable to the Note Trustee and/or the Security Trustee and/or the Agents, to the extent not paid pursuant to the Expenses Agreement, has been paid in full.

On any date on which all of the Certificates are to be redeemed, if the liquidated proceeds of realisation of the Collateral, in the case of Secured Certificates, or the Underlying Assets, in the case of Unsecured Certificates being realised (the "**Realised Value**") does not exceed the sum of (i) amounts due and payable to the Note Trustee and/or the Security Trustee and/or the Agents (to the extent not paid pursuant to the Expenses Agreement), and (ii) the Certificate Redemption Amount multiplied by the number of Certificates outstanding, then the amount payable to the relevant Certificateholders per Certificate will be equal to the Realised Value minus the amounts due and payable to the Note Trustee and/or the Security Trustee and/or the Agents (to the extent not paid pursuant to the Expenses Agreement), divided by the Number of Certificates in issue on the redemption date of the

Certificates whereupon the Certificateholders shall have no further claims against the Issuer (save, in the case of a Mandatory Redemption Event, in respect of the Supplemental Redemption Amount). If the proceeds of the redemption of the Collateral, in the case of Secured Certificates, or the Underlying Assets, in the case of Unsecured Certificates on such date exceed the amount (if any) payable to the Note Trustee, the Security Trustee (if applicable), the Agents, the Certificateholders and the Dealer, then each Certificate will be redeemed in an amount per Certificate equal to the Certificate Redemption Amount and the Certificateholders shall have no further claims against the Issuer (save, in the case of a Mandatory Redemption Event, in respect of the Supplemental Redemption Amount). Any excess proceeds (if any) remaining after such payments shall be retained by the Issuer.

## **9. PAYMENTS**

### **(a) Method of payment**

Payments of principal will be by credit or transfer to a US dollar account specified by the payee or if in a currency other than US dollars then to an account specified by the payee in the Specified Currency.

### **(b) Payments against presentation and surrender**

Payments of principal in respect of Certificates will (subject as provided below) be made in the manner provided in Condition 9(a) against presentation and surrender of the relevant Certificates at the specified office of any Paying Agent, Transfer Agent or of the Registrar.

All payments in respect of Certificates represented by a Global Certificate will be made to the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment (the "**Record Date**"), where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January of each year.

### **(c) Payments subject to fiscal law**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 10.

### **(d) Appointment of agents**

The Paying Agent initially appointed by the Issuer and its specified office is set out in the introductory paragraphs to these conditions. The Paying Agent, the Registrar, the Calculation Agent, the Certificate Custodian and the Account Bank (if applicable) act solely as agents of the Issuer (unless, in the case of Secured Certificates, an Event of Default has occurred or may with the lapse of time or the giving of notice occur, when such agents may act as agents of the Note Trustee if so notified by the Note Trustee) and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Issuer reserves the right at any time with the prior written approval of the Note Trustee to vary or terminate the appointment of the Paying Agent, the Registrar, the Calculation Agent, the Certificate Custodian or the Account Bank (if applicable) and to appoint additional or other paying agents, registrars, calculation agents or certificate custodians provided that the Issuer will at all times maintain (i) a Paying Agent, (ii) a Registrar, (iii) a Calculation Agent and (iv) a Certificate Custodian.

Notice of any such change or any change of any specified office will promptly be given to the Certificateholders in accordance with Condition 17.

(e) **Non-business days**

If the due date for payment of any amount in respect of any Certificate is not a Payment Business Day, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

(f) **Payment contingent on receiving proceeds of realisation**

For the avoidance of doubt, the redemption of the Certificates is contingent on the Issuer receiving proceeds of realisation of the Shares and/or payments under the applicable Swap.

**10. TAXATION**

(a) **Payment net of Taxes**

All payments in respect of the Certificates by or on behalf of the Issuer shall be made net of withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of or any political subdivision or any authority thereof or therein having power to tax.

(b) **Certificateholder Expenses**

A Certificateholder must pay all Certificateholder Expenses relating to Certificates held by or being exercised by it as a condition precedent to receiving any amount in respect of the Certificates and the Issuer is entitled to deduct all relevant Certificateholder Expenses from any such payment to be made by it under the Certificates. As used herein "**Certificateholder Expenses**" means, in respect of a Certificate, all taxes, duties and/or expenses, including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (a) the exercise of such Certificate and/or (b) any payment due following exercise or otherwise in respect of such Certificates.

(c) **Implementation of Financial Transaction Tax**

If "Implementation of Financial Transaction Tax" is specified in the applicable Final Terms to be applicable to any Series, then upon the occurrence of an Implementation of Financial Transaction Tax, the Issuer may (i) in its sole discretion, with immediate effect amend the Conditions of the Certificates by adjusting downward any amount payable and/or any other value or term of the Conditions to account for the economic impact of the Implementation of Financial Transaction Tax on the Issuer and its Affiliates in relation to the Certificates, and (ii) to the extent that at any time thereafter the Issuer determines (acting in good faith and in a commercially reasonable manner) that it (including its Affiliates) has incurred additional loss as a result of the Implementation of Financial Transaction Tax that has not been accounted for through the adjustment made pursuant to subparagraph (i) (such amount, "**Additional Increased Tax**"), it may reduce the amount otherwise payable on the Certificates on the next payment date

(and any payment date thereafter) by an amount up to the Additional Increased Tax amount. Any such adjustments shall be notified to Certificateholders as soon as reasonably practicable.

## **11. PRESCRIPTION**

Claims against the Issuer for payment in respect of the Certificates shall be prescribed and become void unless made within ten years from the appropriate Relevant Date in respect thereof.

## **12. EVENTS OF DEFAULT**

If any of the following events (each an "**Event of Default**") shall occur, the Note Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter of the aggregate principal amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the Certificateholders (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) shall, give notice (an "**Enforcement Notice**") to the Issuer and, in the case of Secured Certificates, the Security Trustee that the Certificates are, and each Certificate shall accordingly forthwith become immediately due and payable and any Custodian Certificates outstanding on such date shall be cancelled and, in the case of Secured Certificates only, the Security shall become enforceable.

### **(a) Non-payment**

if the Issuer fails to pay any amount due in respect of the Certificates within seven days following receipt by the Issuer of the redemption proceeds of the Collateral or the Underlying Assets, as applicable, being redeemed to effect such redemption;

### **(b) Breach of other obligations**

the Issuer fails to perform or comply with any one or more of its other obligations (other than a failure to perform or comply with obligations which failure, in the opinion of the Note Trustee, is not materially prejudicial to the Certificateholders) under the Certificates or the Trust Deed and (except where such failure is not in the opinion of the Note Trustee capable of remedy when no such notice as is hereinafter referred to shall be required) such failure shall continue for more than 30 days (or, if applicable, such longer period as the Note Trustee may permit) next following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied;

### **(c) Winding-up**

the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (d) below, ceasing or, through an official action of the board of directors of the Issuer, threatening to cease to carry on business or being unable to pay its debts as and when they fall due;

### **(d) Insolvency proceedings**

an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by an Extraordinary Resolution of the Certificateholders;

**(e) Insolvency**

proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings are not being disputed in good faith with a reasonable prospect of success, or a receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or in the opinion of the Note Trustee any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or in the opinion of the Note Trustee any substantial part of the undertaking or assets of the Issuer, or a distress or execution or other process being levied or enforced upon or sued out against the whole or in the opinion of the Note Trustee any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally.

**13. ENFORCEMENT**

Only the Note Trustee may pursue the remedies available under the Trust Deed to enforce the rights of the Certificateholders and, in the case of Secured Certificates, only the Security Trustee may enforce the Security, and no Certificateholder is entitled to proceed against the Issuer unless the Note Trustee or the Security Trustee, as applicable, having become bound so to do, fails to take action against the Issuer or to enforce the rights of the Certificateholders or any of the Security, if applicable, within a reasonable time and such failure is continuing. Having realised the Security (in the case of Secured Certificates) or following liquidation of the Unsecured Series Property by the Issuer (in the case of Unsecured Certificates) and distributed the net proceeds in accordance with Condition 4, none of the Note Trustee, the Security Trustee, if applicable, or any Certificateholder may take any further steps against the Issuer to recover any sum still unpaid and any such liability shall be extinguished. In particular none of the Note Trustee, the Security Trustee, if applicable, the Certificateholders or any person acting on behalf of any of them may at any time institute, or join with any other person in bringing, instituting or joining, insolvency, administration, bankruptcy, winding-up, examinership or any other similar proceedings (whether court-based or otherwise) in relation to the Issuer or any of its assets, and none of them shall have any claim arising with respect to the assets and/or property attributable to any other certificates issued by the Issuer (save for any further certificates which form a single series with the Certificates) provided that the Note Trustee may prove or lodge a claim in the liquidation of the Issuer initiated by another party and provided further that the Note Trustee may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer.

Neither the Note Trustee nor the Security Trustee shall be obliged to take any action, step or proceeding under these Conditions, the Trust Deed or any Relevant Agreement unless directed to do so pursuant to the terms of the Trust Deed and indemnified and/or secured and/or prefunded to its satisfaction.

Following such extinguishment, none of the Note Trustee, the Security Trustee, if applicable, the Certificateholders or any other person acting on behalf of any of them shall be entitled to take any further steps against the Issuer or any of its

officers, shareholders, corporate service providers or directors to recover any further sum in respect of the extinguished claim and no debt shall be owed to any such persons by the Issuer in respect of such further sum.

#### **14. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATIONS, WAIVER AND SUBSTITUTION**

##### **(a) Meetings of Certificateholders**

The Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed, "**Extraordinary Resolution**") of a modification of any of the provisions of the Trust Deed, the terms and conditions of the Certificates or any Relevant Agreement. The quorum at any such meeting for passing an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Certificates for the time being outstanding or, at any adjourned meeting, two or more persons being or representing Certificateholders, whatever the principal amount outstanding of the Certificates so held or represented, except that, any modification relating to, *inter alia*, the details of the Security (if applicable) and the Series Assets, terms concerning the amount, currency and postponement of the due dates for payment of the Certificates, the provisions concerning the quorum required at any meeting of Certificateholders and the provisions concerning the majority required to pass an Extraordinary Resolution (such modification a "**Basic Terms Modification**") may be modified only by resolutions passed at a meeting the quorum at which shall be two or more persons holding or representing at least two-thirds, or at any adjourned such meeting at least one-third, in principal amount of the Certificates for the time being outstanding. An Extraordinary Resolution passed at any meeting of Certificateholders will be binding on all Certificateholders, whether or not they were present at such meeting.

##### **(b) Modifications and waiver**

The Note Trustee may agree, and, in the case of Secured Certificates, may direct the Security Trustee to agree without the consent of any of the Certificateholders, to:

- (i) any modification of any of the provisions of the Trust Deed or of any other Relevant Agreement which is in the opinion of the Note Trustee of a formal, minor or technical nature or is made to correct a manifest error; or
- (ii) any modification (except relating to a Basic Terms Modification), waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or of any of the other Relevant Agreements which, in any such case, is not in the opinion of the Note Trustee materially prejudicial to the interests of all of the Certificateholders.

Any such determination, modification, authorisation or waiver shall be binding on both the Secured Certificateholders and the Unsecured Certificateholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Certificateholders as soon as practicable thereafter. Secured Certificateholders and Unsecured Certificateholders shall have no right of action against the Note Trustee if the Note Trustee

agrees to any such modifications to the Relevant Agreements that affect either the Secured Certificateholders or the Unsecured Certificateholders.

(c) **Substitution**

Subject to such amendment of the Trust Deed and such other conditions as the Note Trustee may require, including in the case of the Secured Certificates the transfer of the Security, but without the consent of the holders of the Certificates, the Note Trustee may agree to and, in the case of Secured Certificates, may direct the Security Trustee to agree to the substitution of any other company or other entity in place of the Issuer as principal debtor under the Trust Deed, the Certificates (to the extent relevant) and the other Relevant Agreements. Such substitution shall be subject to the relevant provisions of the Trust Deed and the other Relevant Agreements and to such amendments thereof as the Note Trustee or the Issuer may deem appropriate. In the case of such a substitution the Note Trustee may agree, and, in the case of Secured Certificates, may direct the Security Trustee to agree without the consent of the holders of the Certificates, to a change of the law governing the Certificates, the Trust Deed and/or the other Relevant Agreements provided that such change would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Certificateholders.

If another company or entity is substituted in place of the Issuer pursuant to these Conditions and the Trust Deed such substitute shall replace the Issuer as principal debtor under the Trust Deed and the Certificates and replace it under the Trust Deed and the other Relevant Agreements.

The Note Trustee may, without the consent of the Certificateholders, agree and, in the case of Secured Certificates, may direct the Security Trustee to agree to a change in the place of residence of the Issuer for taxation purposes provided the Issuer does all such things as the Note Trustee may require in order that such change in the place of residence of the Issuer for taxation purposes is fully effective and complies with such other requirements in the interests of the Certificateholders as the Note Trustee may direct.

**15. INDEMNIFICATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Note Trustee and the Security Trustee and for their relief from responsibility including for the exercise of any rights in respect of the Mortgaged Property (in the case of Secured Certificates), for the sufficiency and enforceability (which neither the Note Trustee nor the Security Trustee has investigated) of the Security (in the case of Secured Certificates) and for taking any actions, steps or proceedings to enforce the terms of the Certificates unless indemnified and/or secured and/or prefunded to its satisfaction. The Note Trustee, the Security Trustee and any of their affiliates are entitled to enter into business transactions with the Issuer, any obligor in respect of any of the Mortgaged Property or Unsecured Series Property or any of their respective subsidiaries, holding or associated companies without accounting to the Certificateholders for any profit resulting therefrom. Each of the Note Trustee and the Security Trustee is exempted from liability with respect to any loss or theft or reduction in value of the Mortgaged Property or Unsecured Series Property and from any obligation to insure or to procure the insuring of the Mortgaged Property or Unsecured Series Property.

## **16. REPLACEMENT OF DEFINITIVE CERTIFICATES**

If a Definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and listing regulations, at the specified office of the Registrar on payment by the claimant of the taxes, fees and costs properly incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that, if the allegedly lost, stolen or destroyed Definitive Certificate is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

## **17. NOTICES**

Notices to the holders of Certificates represented by Definitive Certificates shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and notices to the holders of Certificates represented by a Global Certificate held on behalf of a clearing system may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders.

## **18. FURTHER ISSUES**

### **(a) Restrictions on further issues and transactions**

The Issuer may from time to time (without the consent of the Certificateholders) issue further Certificates (which may be consolidated and form a single series with any Series of Certificates if issued in accordance with Condition 18(b)) which are secured by or rely for their payment on *inter alia* (save in the case of further Certificates forming a single series with Custodian Certificates) assets of the Issuer other than any existing Mortgaged Property or any existing Unsecured Series Property and the Issuer's share capital and transaction fees and issued on terms that provide for the extinction of all claims in respect of such Certificates after application of the proceeds of enforcement of the security over or the liquidation of the assets on which such further Certificates are secured or rely for their payment on (as the case may be) and that prevent transaction creditors from taking steps to wind up the Issuer. Any such further Certificates shall be constituted by a Supplemental Trust Deed in respect of such Certificates.

### **(b) Restrictions on fungible issues**

The Issuer may from time to time (without the consent of the Certificateholders) issue further Certificates that have, when issued, the same terms and conditions as the Certificates in all respects and that are consolidated and form a single series with the Certificates provided that in the case of a further issue of Secured Certificates only the Issuer provides additional security for such new Secured Certificates that comprises assets that are fungible with the Mortgaged Property.

## **19. PURCHASE OF CERTIFICATES**

All Certificates repurchased by the Issuer may be cancelled, in which case the obligations of the Issuer in respect of any such Certificates shall be discharged. Absent such cancellation and notwithstanding any other provision of these



Conditions, all Certificates held by or on behalf of the Issuer, shall be deposited with the Certificate Custodian and shall carry the same rights as Custodian Certificates.

**20. GOVERNING LAW**

- (a) The Certificates and any non-contractual obligations arising therefrom are governed by, and shall be construed in accordance with, English law.
- (b) No person shall have any right to enforce any term or condition of this Certificate by virtue of the Contracts (Rights of Third Parties) Act 1999.

## SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

The following is a summary of the provisions to be contained in the Global Certificate which will apply to, and in some cases modify, the Conditions of the Certificates while the Certificates are represented by the Global Certificate.

### Initial issue of Certificates

The Certificates will initially be represented by interests in a global certificate (the "**Global Certificate**") registered in the Register in the name of a nominee for the common depositary for Euroclear or Clearstream, Luxembourg (the "**Common Depositary**") and the Global Certificate shall be deposited with the Common Depositary. Each subscriber will be credited in the records of Euroclear or Clearstream, Luxembourg with a number of Certificates equal to the number thereof for which it has subscribed and paid.

Certificates that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by other clearing systems. Conversely, Certificates that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### Relationship of accountholders with clearing systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for his share of each payment made by the Issuer to the holder of the underlying Certificates in the Register and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the underlying Certificates in the Register in respect of each amount so paid.

### Exchange of Global Certificates for Definitive Certificates

The Global Certificate will be exchangeable in whole but not in part (free of charge to the holder) for Definitive Certificates only if any of the following events occurs or exists (each an "**Exchange Event**"):

- (a) an Event of Default (as set out in Condition 12) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Certificates in definitive form.

The Issuer will promptly give notice to Certificateholders if an Exchange Event occurs. In the case of (a) or (b) above, the holder of the Global Certificate, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and

the Paying Agent and, in the case of (c) above, the Issuer may give notice to the Paying Agent of its intention to exchange the Global Certificate for Definitive Certificates on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Global Certificate may or, in the case of (c) above, shall surrender the Global Certificate to or to the order of the Paying Agent. In exchange for the Global Certificate the Issuer will deliver, or procure the delivery of, an equal aggregate number of Definitive Certificates, security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Global Certificate, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant Definitive Certificate.

Registration of title to Certificates of a Series, specified in the Final Terms of such Series that such Certificates are to be held through a clearing system, in a name other than that of the nominee of Euroclear and Clearstream, Luxembourg will not be permitted unless an Exchange Event occurs.

For these purposes, "**Exchange Date**" means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Registrar is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

"**Accountholder**" means each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular number of Certificates.

### **Amendments to Conditions**

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Base Prospectus. The following is a summary of certain of those provisions:

### **Payments**

No payment falling due after the Exchange Date will be made on any Global Certificate unless exchange for Definitive Certificates is improperly withheld or refused. All payments in respect of Certificates represented by a Global Certificate will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Certificates, surrender of that Global Certificate to or to the order of the Paying Agent by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Certificate appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear, Clearstream, Luxembourg and/or any other relevant Clearing System are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date (the "**Record Date**"). For these purposes, "**Designated Account**" means the account maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than US dollars) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in US dollars) any bank which processes payments in US dollars.

A record of each payment so made will be endorsed on each Global Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Certificates.

### **Prescription**

Claims against the Issuer in respect of Certificates that are represented by a Global Certificate will become void unless it is presented for payment within a period of 10 years from the appropriate due date therefor.

### **Meetings**

The holder of a Global Certificate shall (unless such Global Certificate represents only one Certificate) be treated as being two persons for the purposes of any quorum requirements of a meeting of Certificateholders. All holders of Certificates are entitled to one vote in respect of each Certificate comprising such Certificateholder's holding, whether or not represented by a Global Certificate.

### **Cancellation**

Cancellation of any Certificate represented by a Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Certificate.

### **Trustee's powers**

In respect of a Secured Series of Certificates, in considering the interests of Certificateholders while any Global Certificate is held on behalf of, and Certificates are registered in the name of any nominee for, a clearing system, the Note Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Certificate and Certificates and may consider such interests as if such accountholders were the holders of the Certificates represented by such Global Certificate.

### **Notices**

So long as any Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to the Certificateholders of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Certificate.

## **CLEARING AND SETTLEMENT**

Clearing and settlement of the Certificates will be effected in accordance with the operating procedures of Euroclear and Clearstream, Luxembourg.

### **Transfers within and between Euroclear and Clearstream Luxembourg**

So long as Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the holder of a Global Certificate for a series, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Certificates of such series represented by such Global Certificate for all purposes under the Trust Deed, the Agency Agreement and the Certificates. All payments in respect of Certificates represented by a Global Certificate will be made to Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the holder thereof. None of the Issuer, the Note Trustee, the Security Trustee, if applicable, the Registrar, the Paying Agent, the Calculation Agent or the Dealer or any affiliate of any of the foregoing will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### **Euroclear and Clearstream, Luxembourg**

Custodial and depositary links have been established with Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Certificates and cross-market transfers of the Certificates associated with secondary market trading.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders and provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system.

Distributions of principal and any other amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

The holdings of book-entry interests in Certificates in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Beneficial ownership in Certificates will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Certificates, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Certificates. The Registrar will be responsible for maintaining a record of the aggregate holdings of Certificates registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg, and/or

holders of Certificates represented by Definitive Certificates. The Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of interests in the Certificates holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be. Payments to holders of Certificates represented by Definitive Certificates will be made in accordance with the Conditions.

The Issuer will not impose any fees in respect of the Certificates; however, holders of book-entry interests in the Certificates may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

Interests in Global Certificates will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Certificates through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional eurobonds. Book-entry interests in the Global Certificates will be credited to Euroclear participant securities clearance accounts on the business day following the closing date against payment (for value the closing date), and to Clearstream, Luxembourg participant securities custody accounts on the closing date against payment in same day funds.

#### **Trading between Euroclear and/or Clearstream, Luxembourg accountholders**

Secondary market sales of book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Certificates through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

The information in this section regarding the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Certificates among participants of Clearstream, Luxembourg and Euroclear has been obtained from sources that the Issuer believes to be reliable but prospective investors are advised to make their own enquiries as to such procedures. None of Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee, the Security Trustee, if applicable, the Registrar, the Paying Agent, the Dealer, or any affiliate of any of the foregoing will have any responsibility for the performance by Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

## WESER CAPITAL LIMITED

### General

The Issuer was incorporated in Jersey (registered number 110793) as a public company with limited liability under the Companies (Jersey) Law 1991 on 29 May 2012 for a period of unlimited duration.

The entire issued share capital of the Issuer is registered in the name of ExcelEdge Holdings Limited (the "**Holding Company**"), who acts as holding company of the ExcelEdge Limited Trust, an accumulation charitable discretionary trust established for charitable purposes in the Cayman Islands in accordance with a declaration of trust dated 24 October 2011. SML Trustees Limited, a regulated trust company incorporated in the Cayman Islands, acts as trustee for the ExcelEdge Limited Trust (in such capacity, the "**Share Trustee**"). The registered office of the Holding Company and the Share Trustee is Suite # 4-210, Governors Square, 23 Lime Tree Bay Avenue, Grand Cayman, KY1-1209, Cayman Islands.

Neither the Holding Company nor the Share Trustee will have any beneficial interest in or derive any benefit (other than fees for acting as Holding Company or Share Trustee, respectively) from its holding of shares in the Issuer.

The objects of the Issuer are unrestricted.

### Registered Office and Telephone Number

The Issuer's registered office is at 47 Esplanade, St Helier Jersey JE1 0BD. The Issuer's telephone number is +44 (0)1534 835 600.

### Management

The Directors of the Issuer are:

Name	Principal Occupation
Sarah Rayson	Director, Fund Services
Stuart Conroy	Director, Client Accounting

### DESCRIPTION OF DIRECTORS' INTERESTS

Affiliates of the Directors of the Issuer provide ongoing administrative services to the Issuer at commercial rates.

The business address of each of the Directors of the Issuer is 47 Esplanade, St Helier, Jersey JE1 0BD.

The secretary of the Issuer is Crestbridge Corporate Services Limited of 47 Esplanade, St Helier, Jersey JE1 0BD.

Crestbridge Corporate Services Limited (in such capacity, the "**Corporate Administrator**") provides administration services to the Issuer pursuant to a corporate administration agreement dated 29 June 2012 (the "**Corporate Administration Agreement**") made between, among others, the Issuer and the Corporate Administrator.

## Business

The Issuer has undertaken that, so long as any of the Certificates remains outstanding, it will not, without the prior consent in writing of the Note Trustee incur any other indebtedness for borrowed moneys or engage in any business (other than transactions contemplated by this Base Prospectus), declare any dividends (other than a dividend of up to US\$750 per Series or other series under alternative programmes of the Issuer), have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property, consolidate or merge with any other person, convey or transfer its properties or assets substantially as an entity to any person (other than as contemplated by the Conditions) or issue any shares (other than such shares as were in issue on or 29 May 2012).

The Issuer may however, at its discretion, enter into other programmes in order to issue secured and/or unsecured certificates but such other programmes are not themselves being established by this Base Prospectus. Such other programmes will be separate from the Programme, will have a base prospectus separate from this Base Prospectus and will be subject to separate approval by the Central Bank and the Commission. Any other programmes that the Issuer enters into will have substantially the same provisions in respect of security, if applicable, and limited recourse provisions.

The Issuer has no assets other than the Series Assets with respect to each Series, the benefit of any agreement relating to each Series, assets in respect of other programmes, the sum of £2.00 representing the issued and paid-up share capital and fees generated in connection with the issue of the Certificates and of other certificates. The Issuer has no employees.

*The only assets of the Issuer available to meet the claims of the holders of certificates of the Issuer will be (a) in the case of Secured Certificateholders, the property on which such certificates are secured or (b) in the case of Unsecured Certificateholders, the property which the Issuer has allocated to such Unsecured Series.*

The Certificates are obligations of the Issuer alone and not of the Holding Company or the Share Trustee.

## Capitalisation

The following table sets forth the capitalisation of the Issuer at the date hereof:

US\$

### Shareholders' funds:

Share capital (Authorised: £10,000 issued: 2 Ordinary Shares of £1.00 each)	US\$ 2.87 <sup>1</sup>
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### Indebtedness

Series 3 U.S.\$1,000,000,000 Certificates linked to the E2 WNTN TradeCo – Diversified Program LLC under the Programme	US\$ 616,300.00 <sup>2</sup>
Series 6 U.S.\$500,000,000 Certificates linked to the shares of Lynx (Cayman) Fund limited under the Programme	US\$ 21,705,632.79 <sup>3</sup>

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<sup>1</sup> Amounts in £ have been converted to US\$ at an exchange rate of £1 : US\$1.180770.

<sup>2</sup> US\$1,000,000,000 issued, but US\$999,383,700.00 of Certificates held by the Certificate Custodian as at 6 June 2018.



Series 9 U.S.\$1,000,000,000 Certificates linked to the shares of IPM (Cayman) Fund Limited under the Programme	US\$ 80,584,892.00 <sup>4</sup>
Series 10 U.S.\$1,000,000,000 Certificates linked to the shares of Quantica Capital Cayman Fund under the Programme	US\$ 18,068,393.00 <sup>5</sup>
Series 13 U.S.\$1,000,000,000 Certificates linked to the shares of A&Q Risk Premia Select Limited under the Programme	US\$ 5,000,000.00 <sup>6</sup>
Total capitalisation	US\$ 125,975,217.79

There has been no material change in the capitalisation of the Issuer since the date of the information contained in the above table.

The Issuer has no other outstanding indebtedness as at the date hereof.

### Financial statements

The Issuer prepares annual accounts which are audited. The most recent published audited accounts of the Issuer are in respect of the financial year ended 31 December 2016. The Issuer will not prepare interim accounts. The Principal Trust Deed requires the Issuer to provide written confirmation to the Note Trustee, on an annual basis, that no Event of Default or other matter which is required to be brought to the Note Trustee's attention has occurred. The audited accounts of the Issuer for the financial years ended 31 December 2015 and 2016 are attached to this Base Prospectus at Appendix I.

### Auditors

The auditors of the Issuer are Deloitte LLP of Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE2 3QT, United Kingdom. The auditors are Certified Public Accountants. The auditors are members of the Institute of Chartered Accountants in England and Wales.

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<sup>3</sup> US\$500,000,000 issued, but US\$478,294,367.21 of Certificates held by the Certificate Custodian as at 6 June 2018.

<sup>4</sup> US\$1,000,000,000 issued, but US\$919,415,108.00 of Certificates held by the Certificate Custodian as at 6 June 2018.

<sup>5</sup> US\$1,000,000,000 issued, but US\$981,931,607.00 of Certificates held by the Certificate Custodian as at 6 June 2018.

<sup>6</sup> US\$1,000,000,000 issued, but US\$995,000,000.00 of Certificates held by the Certificate Custodian as at 6 June 2018.

## THE SWAP AND THE SWAP COUNTERPARTY

### The Swap

The Issuer may enter into a Swap, in respect of a Series, with the Swap Counterparty (see "*The Swap Counterparty*"). If entered into, a Swap would be governed by English law. If a Swap is entered into, the Issuer will pay the issue proceeds from such Series to the Swap Counterparty in respect of the Certificates hedged by the Swap. The Swap Counterparty will be required upon redemption of such Certificates to pay to the Issuer amounts equal to the Certificate Redemption Amount in respect of the Certificates hedged by the Swap. The termination date of the Swap, in respect of a Series, will be the Maturity Date of the Certificates of such Series.

### The Swap Counterparty

Pursuant to the terms of the Swap (if entered into), Morgan Stanley & Co. International plc ("**MSIP**") will agree to act as the Swap Counterparty.

MSIP is a public company incorporated with limited liability under the laws of England and Wales whose registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA. MSIP is an indirect wholly owned subsidiary of Morgan Stanley. The principal activity of MSIP is the provision of financial services to corporations, governments, financial institutions and individual investors. It is authorised and regulated by the U.K. Financial Conduct Authority and the U.K. Prudential Regulation Authority. MSIP has certain non-equity securities listed on the main market of the London Stock Exchange plc which is a regulated market for the purposes of the Markets in Financial Instruments Directive.

## THE MS CERTIFICATES AND THE MS CERTIFICATE ISSUER

### The MS Certificates

The Issuer may subscribe for MS Certificates, in respect of a Series, from MSIP. The MS Certificates will offer exposure on a 1:1 basis (if the Transaction Fees for a Series are paid outside the transaction) to Shares of a specified Company or (if the Transaction Fees for a Series are paid from the underlying assets for such Series) the MS Certificates will offer exposure to a portfolio which consists of (1) Shares of a specified Company and (2) if specified, a Cash Account with any return being reduced by the payment of Transaction Fees, in each case as confirmed in the Final Terms relating to each particular Series. The specific terms of MS Certificates subscribed for by the Issuer in respect of a Series will be specified in a Supplement to this Base Prospectus.

### The Swap Counterparty

Any MS Certificates will be issued by Morgan Stanley & Co. International plc (see "*The Swap and the Swap Counterparty – The Swap Counterparty*" for information in relation to Morgan Stanley & Co. International plc).

## **SERIES ASSETS – DESCRIPTION OF THE SHARES AND THE COMPANY**

The net proceeds of the Certificates of a Series (either from a Secured Series or from an Unsecured Series) (other than the Initial Cash Account Amount) will be used by the Issuer to acquire shares or interests, in such entities (including, but not limited to, companies, limited partnerships, unit trusts and contractual funds) (each a "**Company**") that are of a type that conforms to the criteria set out in the general description of Companies below, in each one as confirmed in the Final Terms relating to each particular Series. Each Certificate of a Series will be linked to one share or interest of the Company applicable to such Series (the "**Shares**"). The Issuer will acquire the Shares at their prevailing net asset value for the Company and/or acquire MS Certificates and/or enter into a swap (a "**Swap**") with the Swap Counterparty, in each case which references the Shares and whereby the Issuer obtains exposure to the Shares. Each Series will be invested in a different Company although more than one Series may reference the same Company.

The Companies may be incorporated in any jurisdiction and such jurisdiction will be specified in the Final Terms relating to the Series backed by such Company.

### **General Description of the Companies**

***The general description in this section is applicable to the Companies in which the Issuer invests the net proceeds of the Certificates of a particular Series and/or acquires MS Certificates and/or enters into a Swap in each case that references a Company although each individual Company need not conform with all of the criteria specified below.***

### **The Company**

The Company may be incorporated in any jurisdiction although is likely to be a Cayman Islands company. In the case of a Cayman Islands company, it is likely to be incorporated with limited liability as an exempted company under the provisions of the Companies Law (2013 Revision) of the Cayman Islands with its objects being unrestricted and include the carrying on of the business of an investment company.

The Shares in the Company will be specified in the Final Terms and will be listed. Where an application has been made for the Certificates to be listed on Euronext Dublin or other EU regulated market, the Shares will also be listed on Euronext Dublin.

The Shares will be admitted to the Official List and for trading on the Main Securities Market of Euronext Dublin. Annual audited financial statements are likely to be made up in each year and sent to shareholders and to the relevant exchange within six months of the financial year end.

### **The Offering by the Companies**

By way of an offering memorandum, the Company will privately and usually continuously offer shares or other interests to certain qualified investors.

### **Operations of the Companies**

The Company is likely to rely upon the services of a manager or an adviser for the day to day running of the business, including the management, operations and policies of the Company or the investment decisions pursuant to the trading programs, methods, systems or other strategies which the Company has selected.

The Company will have entered into various management, advisory and/or other agency agreements and the agents appointed thereunder will derive payment for their services to the Company through various fee arrangements.

### **Adviser to the Companies**

The duties of an adviser to the company are likely to include investing and reinvesting in exchange listed futures, forward, options contracts and other derivative instruments the amount of assets allocated to the adviser pursuant to the trading programs, methods, systems, strategies which the Company has selected and in accordance with any trading policies, guidelines, restrictions, or limitations set out in any applicable advisory agreement.

### **Investment by the Companies**

The investment objectives and strategy of each Company will be detailed in the offering document for the Shares of such Company. Such objectives might include an investment strategy to achieve long term capital growth and interest income by investing in or seeking exposure to fixed income securities of governments, government agencies, and companies of different industry sectors listed or traded in various jurisdictions, or to carry on the business of an investment company and to acquire, invest in and hold by way of investment, sell and deal in shares, stocks, debenture stock, bonds, obligations, certificates of deposit, bills of exchange, options, futures, currencies and securities of all kinds.

## **JERSEY TAXATION**

The following summary of the anticipated treatment of the Issuer and Certificateholders (other than residents of Jersey) is based on Jersey taxation law and practice as they are understood to apply at the date of this Base Prospectus and is subject to changes in such taxation law and practice. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice (including such tax law and practice as they apply to any land or building situate in Jersey). Prospective investors in the Certificates should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of the Certificates under the laws of any jurisdiction in which they may be liable to taxation.

### **Taxation of the Issuer**

Under Article 123C of the Income Tax (Jersey) Law 1961 and on the basis that the Issuer is resident for tax purposes in Jersey and not a financial services company, a utility company or a large corporate retailer for the purposes of the Income Tax (Jersey) Law 1961, as amended, the Issuer is subject to income tax in Jersey at a rate of zero per cent. Payments in respect of the Certificates may be paid by the Issuer without withholding or deduction for or on account of Jersey income tax and Certificateholders (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Certificates.

If the Issuer derives any income from the ownership or development and disposal of land in Jersey, such income will be subject to tax at the rate of 20 per cent. It is not expected that the Issuer will derive any such income.

### **Certificateholders**

Dividends on Securities and redemption proceeds may be paid by the Issuer to non-Jersey resident Certificateholders without withholding or deduction for or on account of Jersey income tax. Non-Jersey resident Certificateholders will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Securities. Non-Jersey resident Certificateholders will be exempt from Jersey income tax on receipt of any distribution from the Issuer. Certificateholders who are resident in Jersey for tax purposes may be liable to pay income tax on distributions (including redemption proceeds) received from the Issuer.

### **Goods and Services Tax**

Jersey imposes a Goods and Services Tax ("**GST**") on the taxable supply of goods and services in or imported into Jersey. The current GST rate is 5 per cent. On the basis that the Issuer has obtained International Services Entity status, the Issuer is not:

- (a) required to register as a taxable person pursuant to the Goods and Services Tax (Jersey) Law 2007;
- (b) required to charge GST in Jersey in respect of any supply made by it; or
- (c) (subject to limited exceptions that are not expected to apply to the Issuer) required to pay GST in Jersey in respect of any supply made to it.

The directors of the Issuer intend to continue to conduct the business of the Issuer such that no GST will be incurred or be payable by the Issuer

### **Stamp duty**

In Jersey, no stamp duty is levied on the issue, acquisition, ownership, exchange, sale, transfer or other disposition of the Certificates between living persons except that stamp

duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer the Certificates on the death of a Certificateholder of such Certificates. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situate in respect of a Certificateholder domiciled in Jersey, or situate in Jersey in respect of a Certificateholder domiciled outside Jersey). Such duties are payable in respect of the net value of the estate (as at the date of death) rounded up to the nearest £10,000 at a rate of 0.5 per cent. of the first £100,000 and 0.75 per cent. thereafter up to a maximum net value of £13,360,000. The rules for joint holders and holdings through a nominee are different and advice relating to this form of holding should be obtained from a professional advisor.

Purchasers of Certificates may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase or other relevant jurisdiction.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

### **European Union Directive on the Taxation of Savings Income**

Following the repeal on 1 January 2016 of the EU Savings Tax Directive, and in line with steps taken by other relevant third countries, Jersey has suspended its system of automatic communication to EU Member States of information regarding payments made by certain Jersey collective investment vehicles to EU resident individuals. The introduction of the Common Reporting Standard (see below) supersedes the information exchange arrangements previously in place.

### **Common Reporting Standard**

The OECD has developed a new global standard for the automatic exchange of financial information between tax authorities (the "**Common Reporting Standard**" or "**CRS**"). The CRS has been implemented in the EU by way of the Revised Directive on Administrative Co-Operation (Council Directive 2014/107/EU). Jersey is a signatory to the CRS and commenced exchange of information with tax authorities of other signatory jurisdictions in September 2017.

Jersey legislation which implements the CRS in Jersey came into effect on 1 January 2016 (the "**Jersey CRS Legislation**").

In summary, the Jersey CRS Legislation requires "reporting financial institutions" in Jersey to identify, review and report on "financial accounts" maintained by them and which are held by residents for tax purposes (whether individuals or entities) of jurisdictions with which Jersey has agreed to exchange information. The reporting deadline for Jersey reporting financial institutions to report to the States of Jersey Comptroller of Taxes is 30 June in the year following the calendar year to which the return relates.

Reports will be made to the States of Jersey Comptroller of Taxes and then passed to the competent authority of the jurisdiction in which the account holder is resident. Although the Issuer will attempt to satisfy any obligations imposed on it by the CRS, no assurance can be given that it will be able to satisfy such obligations. Implementation of the CRS may require the Issuer to conduct additional due diligence and report upon accounts held with it by Certificateholders who are reportable persons in other participating jurisdictions. The Issuer may require certain additional financial information from Certificateholders to comply with its due diligence and reporting obligations under the CRS.

Failure by the Issuer to comply with the obligations under the CRS may result in penalties being imposed on the Issuer and in such event, the target returns of the Issuer

may be materially affected. All prospective Certificateholders must agree to provide the Issuer at the time or times prescribed by applicable law and at such times reasonably requested by the Issuer such information and documentation (whether relating to themselves, their investors and/or beneficial owners) prescribed by applicable law and such additional documentation reasonably requested by the Issuer as may be necessary for the Issuer to comply with its obligations under CRS.

Prospective Certificateholders should, as with FATCA, consult their tax advisors with regard to the potential CRS tax reporting and certification requirements associated with an investment in the Issuer. It is further recommended that Certificateholders who are entities consider themselves whether they have any obligations to notify their respective investors, Certificateholders or account holders about the information that the Issuer requests, and the potential disclosures that the Issuer will be obliged to make in connection with those persons in complying with its obligations under CRS.

**In order to avoid the Issuer being subject to withholding taxes or penalties, all investors must agree to provide the Issuer at times reasonably requested by the Issuer with such information and documentation (whether relating to themselves, their investors and/or beneficial owners) reasonably requested by the Issuer.**

**If you are in any doubt as to your tax position you should consult your professional tax adviser.**



## SUBSCRIPTION AND SALE AND SELLING RESTRICTIONS

### The Dealer Agreement

Morgan Stanley & Co. International plc (the "**Dealer**"), entered into to a dealer agreement, as may be amended, restated and/or supplemented from time to time in respect of the Certificates to be issued under the Programme (the "**Dealer Agreement**") and pursuant to the Dealer Agreement will agree to subscribe or procure subscribers for the Certificates of each Series at the issue price specified in the applicable Final Terms for such Certificates. Pursuant to the Dealer Agreement, the Issuer will agree to indemnify the Dealer against certain liabilities, incurred in connection with the issue of the Certificates. The Dealer Agreement may be terminated at any time by the Dealer and in certain circumstances prior to payment to the Issuer. Pursuant to the Expenses Agreement, the Dealer will agree to pay for certain of the operating expenses of the Issuer, incurred in connection with the issue of the Certificates.

Upon the terms and subject to the conditions contained in the Dealer Agreement, the Dealer:

- (a) on an Issue Date, will agree to subscribe and pay for the maximum number of the Certificates available in such Series at their issue price, provided the Subscription Conditions Precedent are satisfied;
- (b) will agree to, on each Company Investment Subscription Date on which new or existing Certificate holders have agreed to purchase further Custodian Certificates from the Dealer, the same such number of Custodian Certificates from the Certificate Custodian at a price per Custodian Certificate equal to the Certificate Price on the relevant Company Investment Subscription Date.

Under the terms of the Dealer Agreement, the Issuer will repurchase from the Dealer an amount of Certificates set out in the Final Terms at a price per Certificate equal to their issue price.

The purchase of Custodian Certificates by the Dealer is conditional upon there not having been any adverse change, development or event reasonably likely to involve a prospective adverse change in the condition (financial or otherwise) of the Issuer which is material in the context of the transaction and on the Subscription Conditions Precedent being satisfied on the relevant date. The representations and warranties that will be given by the Issuer on the Issue Date for a Series and on each date on which Custodian Certificates are purchased by the Dealer from the Issuer are as follows:

- (i) this Base Prospectus and Final Terms for the relevant Series (apart from the issue price of the Certificates of such Series, the repurchase price of the Custodian Certificates, the purchase price of Shares being purchased on the Issue Date and on each Company Investment Subscription Date on which Custodian Certificates are sold to the Dealer) contains all the information with respect to the Issuer and to the relevant Certificates which is material in the context of the issue and purchase of the relevant Certificates;
- (ii) the statements contained in this Base Prospectus and Final Terms for the relevant Series (apart from the issue price of the Certificates of such Series, the repurchase Custodian Certificates, the purchase price of the Company being purchased on the Issue Date and on each Company Investment Subscription Date on which Custodian Certificates are sold to the Dealer, and whether the Certificates are Secured Certificates or Unsecured

Certificates) relating to the Issuer are in every material way true and accurate and not misleading;

- (iii) there are no other facts (apart from the issue price of the Certificates of such Series, the repurchase price of the Custodian Certificates, the purchase price of the Shares being purchased on the Issue Date and on each Company Investment Subscription Date on which Custodian Certificates are sold to the Dealer, and whether the Certificates are Secured Certificates or Unsecured Certificates) in relation to the Issuer the omission of which would, in the context of the issue and sale of the relevant series of Certificates, make any statement in this Base Prospectus and the relevant Final Terms misleading in any respect;
- (iv) the Issuer is duly incorporated under the laws of Jersey, Channel Islands, and has full power and legal authority to conduct its business in Jersey, Channel Islands;
- (v) the creation and offering of the relevant Certificates under the terms and conditions of the Dealer Agreement do not contravene the Memorandum and Articles of Association or any other constitutional documents of the Issuer;
- (vi) all consents, approvals, authorisations, orders and clearances of all regulatory authorities required by the Issuer under the laws of Jersey, Channel Islands have been obtained and are in full force and effect and the Issuer has complied with all legal and other requirements necessary to ensure that the relevant Series of Certificates will represent valid and legally binding obligations of the Issuer and the Relevant Agreements constitute valid and legally binding obligations of the Issuer;
- (vii) there has been no material adverse change in the financial or the trading position of the Issuer nor has there been any material adverse change in the prospects of the Issuer, since its incorporation;
- (viii) no Potential Event of Default, Event of Default, Potential Early Termination Event or Early Termination Event has occurred; and
- (ix) no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Certificates of a Series, or possession or distribution of this Base Prospectus and the relevant Final Terms or any other offering or publicity material relating to the Certificates of a Series, in any country or jurisdiction where action for that purpose is required, save that the consent of the Jersey Registrar has been obtained to the circulation of the Base Prospectus as required by the Companies (General Provisions) (Jersey) Order 2002, as amended,

(together, the "**Subscription Conditions Precedent**"), where:

**"Potential Early Termination Event"** means any event which may become, with the passage of time, the giving of notice, the making of any determination or any combination thereof, an Early Termination Event; and

**"Potential Event of Default"** means any event which may become, with the passage of time, the giving of notice, the making of any determination or any combination thereof, an Event of Default.

No action has been taken by the Issuer or the Dealer which would or is intended to permit a public offer of Certificates of a Series in any country or jurisdiction where action for that purpose is required save that the consent of the Jersey Registrar has been obtained to the circulation of the Base Prospectus as required by the Companies (General Provisions) (Jersey) Order 2002, as amended. Accordingly, the Dealer has undertaken that it will not, directly or indirectly, offer or sell any Certificates of a Series or distribute or publish any base prospectus, prospectus, form of application, advertisement or other document or information in any country or jurisdiction where action for that purpose is required and neither this Base Prospectus nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction except under circumstances which will, to the best of its knowledge and belief, result in compliance with applicable laws and regulations and all offers and sales of Certificates by it will be made on the same terms.

## **Selling restrictions**

### ***United States***

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are used in Regulation S) except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. The Issuer has not registered and will not register under the Investment Company Act. Terms used in this paragraph and not otherwise defined herein have the meanings given to them by Regulation S.

The Dealer has agreed that it will not offer, sell or deliver Certificates as part of their distribution or otherwise within the United States or to, or for the account or benefit of U.S. persons (as such term is used in Regulation S). The Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer or sell Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Certificates in a Series of which such Certificates are a part (the "**Distribution Compliance Period**"), as determined and certified to the Paying Agent by such Dealer, within the United States or to, or for the account or benefit of, U.S. persons (except in accordance with Regulation S or another exemption from the registration requirements of the Securities Act), and it will have sent to each affiliate, distributor, dealer or other person to which it sells Certificates during the Distribution Compliance Period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

This Base Prospectus and any Final Terms have been prepared by the Issuer for use in connection with the offer and sale of the Certificates outside the United States to non-U.S. persons. This Base Prospectus and any Final Terms do not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Base Prospectus and/or any Final Terms by any non-U.S. person outside the United States to any U.S. person or to any person within the United States is unauthorised and any disclosure of any of their contents, without the prior written consent of the Issuer, is prohibited.

The Certificates are subject to U.S. tax law requirements and may not be offered or sold within the United States or its possessions or to a United States person. Terms used in this

paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Certificates to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Dealer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive

provided that no such offer of Certificates referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Certificates to the public" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

1. in relation to any Certificates which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;
2. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection

with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

3. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

## Jersey

Each Dealer has represented and agreed that it has not prior to the consent of the Jersey Registrar pursuant to the Companies (General Provisions) (Jersey) Order 2002, as amended being obtained and becoming effective, circulated an invitation to acquire or apply for any Certificates in circumstances where such invitation constitutes or may constitute a prospectus for the purposes of the Companies (Jersey) Law 1991, as amended or the Companies (General Provisions) (Jersey) Order 2002, as amended.

## Ireland

In respect of an Issuer which is incorporated in Ireland as a private limited company, its Articles of Association prohibit any invitation to the public to subscribe for any shares or debentures issued by it. Neither this Base Prospectus nor any Final Terms constitutes an invitation to the public within the meaning of the Companies Act 2014 (as amended, the "**Companies Act**") to subscribe for the Certificates issued by such Issuer.

Each Dealer has represented and agreed that:

- (i) it will not underwrite the issue of, or place, the Certificates otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2017 (as amended, the "**MiFID Regulations**"), including any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- (ii) it will not underwrite the issue of, or place, the Certificates otherwise than in conformity with the provisions of the Companies Act, the Central Bank Acts 1942-2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended) and any regulations issued under Part 8 of the Central Bank (Supervision and Enforcement) Act 2013 (as amended);
- (iii) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Certificates otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank of Ireland (the "**Central Bank**") under Section 1363 of the Companies Act; and
- (iv) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Certificates otherwise than in conformity with the provisions of the European Union (Market Abuse) Regulations 2016, the Market Abuse Regulation (EU 596/2014)) and any rules issued by the Central Bank under Section 1370 of the Companies Act 2014.

## Germany

The Certificates may only be offered or sold or publicly promoted or advertised in the Federal Republic of Germany in compliance with the German Securities Prospectus Act (Wertpapierprospektgesetz) of June 22, 2005, as amended from time to time, or any other

laws and regulations applicable in the Federal Republic of Germany in relation to the issuance, offer and sale of securities.

The Dealer has represented and agreed that the Certificates have not been and will not be offered or sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act or any other laws and regulations applicable in the Federal Republic of Germany in relation to the issuance, offer and sale of securities.

Neither this Base Prospectus nor any accompanying Prospectus Supplement nor any other offer document in relation to the Certificates have been approved by the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht ("**BaFin**")) nor have they been notified to BaFin by any competent authority in accordance with § 17(3) of the German Securities Prospectus Act.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealer following a change in a relevant law, regulation or directive or in respect of any Series.

## GENERAL INFORMATION

1. The creation of the Programme and the issue of Certificates thereunder was authorised by a resolution passed by the Board of Directors of the Issuer on 28 June 2012. The Programme was updated and amended by a resolution passed by the Board of Directors of the Issuer on 7 June 2018.
2. This Base Prospectus was authorised by a resolution passed by the Board of Directors of the Issuer on 7 June 2018.
3. All other authorisations, consents and approvals required to be obtained by the Issuer for, or in connection with, the creation of the Programme and issue of the Series of Certificates, the execution, delivery and performance by the Issuer of the obligations expressed to be undertaken by it under the Relevant Agreements to which it is a party and the distribution of this Base Prospectus have been (or will, prior to the Issue Date, be) obtained and are in full force and effect.
4. There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since its latest audited financial statements dated as at 31 December 2016.
5. The Issuer is not involved in any governmental, litigation or arbitration proceedings during the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability, nor is the Issuer aware of any such proceedings being pending or threatened.
6. For so long as any of the Certificates are listed on Euronext Dublin and traded on the Main Securities Market copies of:
  - (a) the Issuer's constitutive documents;
  - (b) the Trust Deed;
  - (c) the Agency Agreement;
  - (d) the Dealer Agreement;
  - (e) the prospectuses, trust deeds and agency agreements relating to the issue of the Certificates or other relevant public documentation relating to the Collateral (if any); and
  - (f) the annual accounts of the Issuer in respect of the financial years ended 31 December 2015 and 31 December 2016,

will be made available in electronic form for inspection free of charge during usual business hours on any day (except Saturdays, Sundays and legal holidays) at the office of the Paying Agent.

7. As long as any Certificates are listed on Euronext Dublin and traded on the Main Securities Market, any financial statements of the Issuer which are published will be made available at the offices of the Paying Agent as soon as they are published. The Issuer does not prepare interim accounts.
8. The Issuer does not intend to provide post-issuance information.
9. The Issuer intends that some Series of Certificates will be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code

and the International Securities Identification Number (ISIN) (if any) for each Series of Certificates will be set out in the relevant Final Terms.

10. For the purposes of any Series issued under the Programme to be consolidated to form a single Series with Certificates (as specified in the relevant Final Terms) issued under a base prospectus with an earlier date, the following documents (as specified in the relevant Final Terms) are incorporated by reference in and form part of this Base Prospectus (as applicable):
- (a) the Terms and Conditions of the Certificates found on pages 48 to 68 of the base prospectus dated 29 June 2012 (available at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_100465f9-a06d-4e6e-ba71-3252de6f4d00.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_100465f9-a06d-4e6e-ba71-3252de6f4d00.PDF));
  - (b) the Terms and Conditions of the Certificates found on pages 39 to 61 of the base prospectus dated 12 February 2014 (available at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_ff4c8322-b9fa-4d3e-a9dc-fe472d667533.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_ff4c8322-b9fa-4d3e-a9dc-fe472d667533.PDF)) as supplemented by the supplement dated 1 April 2014 (available at [http://www.ise.ie/debt\\_documents/Supplements\\_18bf1759-c768-45e9-be97-d19ee05dc1ed.PDF](http://www.ise.ie/debt_documents/Supplements_18bf1759-c768-45e9-be97-d19ee05dc1ed.PDF)), 9 June 2014 (available at [http://www.ise.ie/debt\\_documents/Supplements\\_1828105b-a13c-4e07-b293-cf9f7c4cb0e2.PDF](http://www.ise.ie/debt_documents/Supplements_1828105b-a13c-4e07-b293-cf9f7c4cb0e2.PDF)) and 10 July 2014 (available at [http://www.ise.ie/debt\\_documents/Supplements\\_13cee7b2-150e-4d86-8e63-46e70d1cf5ad.PDF](http://www.ise.ie/debt_documents/Supplements_13cee7b2-150e-4d86-8e63-46e70d1cf5ad.PDF)) respectively, to the base prospectus;
  - (c) the Terms and Conditions of the Certificates found on pages 42 to 67 of the base prospectus dated 24 June 2015 (available at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_6eaae143-0005-4c22-920a-3baadc378eb8.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_6eaae143-0005-4c22-920a-3baadc378eb8.PDF)) as supplemented by the supplement dated 31 July 2015 (available at [http://www.ise.ie/debt\\_documents/Final%20Supplement\\_4f1f7ab8-6106-4449-be82-0f1b1f29841f.pdf](http://www.ise.ie/debt_documents/Final%20Supplement_4f1f7ab8-6106-4449-be82-0f1b1f29841f.pdf)) and 4 August 2015 (available at [http://www.ise.ie/debt\\_documents/Supplements\\_f8b80abc-66ff-41be-b650-bad25e8e07ed.PDF](http://www.ise.ie/debt_documents/Supplements_f8b80abc-66ff-41be-b650-bad25e8e07ed.PDF)) respectively, to the base prospectus; and
  - (d) the Terms and Conditions of the Certificates found on pages 44 to 72 of the base prospectus dated 4 April 2017 (available at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_4b9724a4-0898-4f4d-bb14-74749102b50a.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_4b9724a4-0898-4f4d-bb14-74749102b50a.PDF)).



## FORM OF APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each issue of Series of Certificates.*

**Final Terms dated [●]**

**Weser Capital Limited**  
**Issue of [AGGREGATE NOMINAL AMOUNT OF SERIES] [TITLE OF CERTIFICATES]**  
**under the**  
**Certificates Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 14 June 2018 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), and any amendments, including Directive 2010/73/EU (the "**Prospectus Directive**"). [This document constitutes the Final Terms of the Certificates described herein for the purposes of Article 5.4. of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]]<sup>1</sup>. Full information on the Issuer and the offer of the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at [www.ise.ie](http://www.ise.ie) [[and] during normal business hours at [●]] [and copies may be obtained from [●]].

*The following alternative language applies if the relevant Certificates are to be consolidated to form a single Series with Certificates issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") contained in the Principal Trust Deed dated [[●] 2012] and set forth in the Base Prospectus dated [●] [and the supplement to the Base Prospectus dated [●]]. This document constitutes the Final Terms of the Certificates described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 14 June 2018 [and the supplement to the Base Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [earlier date] [and the supplement to the Base Prospectus dated [●]]. Full information on the Issuer and the offer of the Certificates is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [earlier date] and 14 June 2018 [and the supplements to the Base Prospectus dated [●] and [●]]. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

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<sup>1</sup> Include for certificates listed on the regulated market of Euronext Dublin or other EU regulated market only.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, "**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. [Consider any negative target market]. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

The Certificates issued by the Issuer will be subject to the Conditions and also to the following terms (such terms, the "**Final Terms**") in relation to the Certificates.

*[Italics and footnotes herein denote guidance for completing the Final Terms and should be deleted prior to completing these Final Terms.]*

*(Note: Headings are for ease of reference only.)*

- |   |                |   |
|---|----------------|---|
| 1 | Series Number: | [●] [The Certificates are to be consolidated and form a single series with [●]]   |
| 2 | Issue Date:    | [●]   |
| 3 | Maturity Date: | <p>[Specify either:</p> <p>[Fixed Maturity Date: [specify date]]</p> <p>Or</p> <p>[Scheduled Maturity Date: [specify date]]</p> |

- 4 Specified Currency [US\$]/[specify]
- 5 Aggregate nominal amount of [•]  
Certificates to be issued as at the  
Issue Date:
- 6 Issue Price (face value) per [US\$][•]  
Certificate:
- 7 Maximum number of Certificates in [•]  
the Series on the Issue Date:
- 8 Purchase Price (amount payable at [•]  
Issue Date) per Certificate:
- 9 Dealer purchase price [Item 6 x item 7]  
(at Issue Date):
- 10 Number of Certificates to be [•]  
repurchased by the Issuer  
(at Issue Date):
- 11 Issuer repurchase price (purchase [Item 9 x item 7]  
price of the Custodian Certificates)  
(at Issue Date):
- 12 Trading method: Unit
- 13 Status of the Certificates: [Secured]/[Unsecured]
- 14 (A) [If Secured]:
 

Mortgaged Property: Shares/Swaps/MS Certificates

[(i) Collateral – Shares] The Shares shall comprise, on any  
date, a number of shares or units, as  
applicable, in the Company equal to the  
number of Certificates in issue on such  
date and not otherwise repurchased by  
the Issuer and held by the Certificate  
Custodian.]

Company: [Name]

Asset: [Shares in the  
Company] /  
[specify other  
interests,  
membership  
interests or  
securities in the  
Company]

Address: [•]

Country of Incorporation: [•]

Governing Law: [•]

Significant Business

- Activities of the Company: [●]
- Expiry/Maturity Date (if applicable): [●]
- Listed on the following  
stock exchanges: *[Regulated  
Market– for any  
issuances under  
the Prospectus  
Directive]*
- (ii) Collateral - Cash Account [Not applicable] / [Applicable]
- If applicable:
- Cash Account Agreement date: [Date]
- Initial Cash Account Amount: *[zero/specify  
amount]*
- (B) [If Unsecured]:
- Unsecured Series Property: Shares/Swaps/MS Certificates
- [(i) Underlying Assets – The Shares shall comprise, on any  
Shares date, a number of shares or units, as  
applicable, in the Company equal to the  
number of Certificates in issue on such  
date and not otherwise repurchased by  
the Issuer and held by the Certificate  
Custodian.]
- Company: [Name]
- Asset: [Shares in the  
Company] /  
[specify other  
*interests,  
membership  
interests or  
securities in the  
Company]*
- Address: [●]
- Country of Incorporation: [●]
- Governing Law: [●]
- Significant Business  
Activities of the Company: [●]
- Expiry/Maturity Date (if applicable): [●]
- Listed on the following  
stock exchanges: *[Regulated  
Market– for any  
issuances under  
the Prospectus*

<p><i>For issuances under the Prospectus Directive for both Secured Certificates and Unsecured Certificates the following disclosure is required:</i></p>	<p style="text-align: right;"><i>Directive]</i></p> <p><i>Description of the market on which the Shares are traded – [EU Regulated Market]</i></p> <p><i>Date of establishment of the market – [ ]</i></p> <p><i>How price information is published – [ ]</i></p> <p><i>Indication of Daily Trading Volumes – [ ]</i></p> <p><i>Information as to the standing of the market in the country – [ ]</i></p> <p><i>Frequency with which prices are published – [ ]</i></p> <p><i>The name of the markets regulatory authority – [ ]</i></p>
<p>(ii) Underlying Assets - Cash Account</p>	<p>[Not applicable] / [Applicable]</p> <p>If applicable:</p> <p>Cash Account Agreement date: [Date]</p> <p>Initial Cash Account Amount: [zero/specify amount]</p>

15 Net asset value of the Shares: [●]

#### PROVISIONS RELATING TO REDEMPTION

16 Issuer has the right to redeem Certificates in its sole discretion: [Applicable]/[Not Applicable]

17 Agents:

(i) Calculation Agent:	[Specify name and address]
(ii) Paying Agent:	[Specify name and address]
[(iii) Additional Paying Agent(s):]	[Specify name and address]
(iv) Registrar:	[Specify name and address]
(v) Transfer Agent(s):	[Specify name and address]
(vi) Account Bank (if applicable):	[Specify name and address]

18 [Transaction Fees] [Specify [Method A] / [Method B] / [Method C] / [Method D]]

[If Method B, specify:

Fee percentage: [ ] %]

[If Method C, specify:

Fee percentage: [ ] %

Minimum Fee Amount: [amount] / [Not applicable]

*Periodic Basis: [e.g., daily /  
weekly / monthly]*

*Frequency of Payment of  
Transaction Fees: [first year only] /  
[yearly]*

*[If Method D, specify:*

*[Other method] – Note only  
applicable for unlisted Series]*

## **DISTRIBUTION**

- 19 Certificates cleared through a [Not Applicable]/[Specify clearing  
clearing system systems]

## **SWAPS**

- 20 Exposure to Shares referenced in [Applicable]/[Not applicable]  
item 14 obtained by use of a swap

## **MS CERTIFICATES**

- 21 Exposure to Shares referenced in [Applicable]/[Not applicable]  
item 14 obtained by subscription for  
MS Certificates

## **OTHER TERMS**

- 22 Implementation of Financial [Applicable]/[Not applicable]  
Transaction Tax
- 23 Principal Financial Centre [●]

## **[PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the [*specify relevant regulated market*] of the Certificates described herein pursuant to the Weser Capital Limited Certificate Programme of 14 June 2018.

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. *[[Insert relevant third party information]* has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

## PART B – OTHER INFORMATION

### LISTING

- (i) Listing: [Euronext Dublin] [*specify*] [None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Certificates to be admitted to trading on [Euronext Dublin on its regulated market] [other regulated market] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) to [Euronext Dublin for the Certificates to be admitted to trading on its regulated market] [other regulated market] with effect from [•].] [Not applicable.]
- (iii) Estimate of total expenses [•] [•]  
related to admission to trading:

### [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in [*Subscription and Sale and Selling Restrictions*]", so far as the Issuer is aware, no person involved in the offer of the Certificates has an interest material to the offer."

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

### [ESTIMATED NET PROCEEDS]

[Estimated net proceeds: [•]]

### OPERATIONAL INFORMATION

Delivery: Delivery [against][free of] payment

ISIN Code [ ]

## **APPENDIX I: AUDITED FINANCIAL STATEMENTS**



Weser Capital Limited

Report and Audited Financial Statements

For the year ended 31 December 2015

# **Weser Capital Limited**

**For the year ended 31 December 2015**

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## **CONTENTS PAGE**

Directors' report	2
Statement of Directors' responsibilities	3
Independent auditor's report	4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9-18

**DIRECTORS' REPORT**

**For the year ended 31 December 2015**

The Directors present their report, together with the audited financial statements of Weser Capital Limited (the "Company") for the year ended 31 December 2015.

**INCORPORATION AND PRINCIPAL ACTIVITIES**

The Company was incorporated on 29 May 2012. The principal activity of the Company is to issue secured and unsecured Certificates (together "the Certificates") under the terms a US\$10,000,000,000 Certificate programme (increased to US\$20,000,000,000 on 24 June 2015). The Certificates will be issued in series and will provide holders with indirect access to various leveraged products holding investments in a range of trading programs. There were two additional Series of Certificates issued during the year which provided direct access to IPM (Cayman) Fund Limited and Quantica Capital Cayman Fund, and are both listed on the Irish Stock Exchange. As at the year end, there were seven Series of Certificates outstanding.

**RESULTS AND DIVIDENDS**

The results for the year are set out on page 6. The Directors recommended and paid a dividend of US\$6,000 for the year (2014: nil).

**DIRECTORS**

The Directors who held office during the year and up to the date of this report were:

S M Rayson	(appointed 15 May 2015)
C Targett	(appointed 08 July 2016)

E A Mills, who was appointed as a Director on 29 May 2012, resigned on 15 January 2015. D R King, who was appointed as a Director on 29 May 2012, resigned on 18 May 2015. M J Lynam, who was appointed as a Director on 15 May 2015, resigned on 18 September 2015. F K Wilson who was appointed as a Director on 15 January 2015, resigned on 08 July 2016.

**SECRETARY**

The Secretary of the Company who has been Secretary for the year under review and up to the date for this report is Crestbridge Corporate Services Limited.

**AUDITOR**

Deloitte LLP have expressed their willingness to continue in office. The Directors have obtained a waiver to dispense with the need to hold annual general meetings. As such, under Companies (Jersey) Law 1991, as amended (the "Law"), Deloitte LLP will remain in office until formally removed.

Approved by the Board of Directors  
and signed on behalf of the Board

Secretary



Date: 22 July 2016

**Registered Office**

47 Esplanade  
St Helier  
Jersey  
JE1 0BD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**For the year ended 31 December 2015**

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 "Presentation of Financial Statements" requires that financial statements present fairly, for each financial period, the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company at that time and to enable them to ensure that any financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESER CAPITAL LIMITED**

We have audited the financial statements of Weser Capital Limited for the year ended 31 December 2015 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

  
**Andrew Isham, BA, FCA**

For and on behalf of Deloitte LLP

Chartered Accountants and Recognized Auditor

St Helier, Jersey

Date 25 July 2016

# Weser Capital Limited

## STATEMENT OF FINANCIAL POSITION As at 31 December 2015

	Notes	31-Dec-15 US\$	31-Dec-14 US\$
<b>Assets</b>			
<b>Investment portfolio</b>			
Financial assets at fair value through profit or loss	4	67,877,020	60,984,564
<b>Current Assets</b>			
Trade and other receivables	5	1,500	419,451
Cash and cash equivalents		1,757	1,522
		<u>3,257</u>	<u>420,973</u>
<b>Total Assets</b>		<u>67,880,277</u>	<u>61,405,537</u>
<b>Equity</b>			
<b>Capital and Reserves Attributable to the Equity Holders of the Company</b>			
Share capital	6	3	3
Accumulated reserves		(4,209)	184
<b>Total Equity</b>		<u>(4,206)</u>	<u>187</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	7,463	420,786
		<u>7,463</u>	<u>420,786</u>
<b>Non-Current Liabilities</b>			
Financial liabilities at fair value through profit or loss	8	67,877,020	60,984,564
<b>Total Liabilities</b>		<u>67,884,483</u>	<u>61,405,350</u>
<b>Total Liabilities and Equity</b>		<u>67,880,277</u>	<u>61,405,537</u>

These financial statements were approved and authorised for issue by the Board of Directors on

22 July 2016

Signed on behalf of the Board



Director

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2015

	Notes	1-Jan-15 to 31-Dec-15 US\$	01-Jan-14 to 31-Dec-14 US\$
<b>Income</b>			
Transaction fees		10,528	3,250
Foreign exchange gain		33	57
Fair value gain on financial assets at fair value through profit or loss	4	-	3,802,088
Fair value gain on financial liabilities at fair value through profit or loss	8	7,665,073	-
Realised gain on sale of investments	4	5,040,534	3,912,054
		<u>12,716,168</u>	<u>7,717,449</u>
<b>Expenditure</b>			
Fair value loss on financial assets at fair value through profit or loss	4	7,665,073	-
Fair value loss on financial liabilities at fair value through profit or loss	8	-	3,802,088
Bank charges		8,782	4,321
Transaction loss		172	
Realised loss on redemption of certificates	4	5,040,534	3,912,054
		<u>12,714,561</u>	<u>7,718,463</u>
<b>Profit/(Loss) for the year and Total Comprehensive Income Attributable to Equity Holders of the Company</b>		<u>1,607</u>	<u>(1,014)</u>

All results in the current year and prior year result from continuing operations.

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2015

	Share Capital US\$	Accumulated Reserves US\$	Total US\$
As at 1 January 2015	3	184	187
Total comprehensive income for the year	-	1,607	1,607
Dividend paid	-	(6,000)	(6,000)
As at 31 December 2015	<u>3</u>	<u>(4,209)</u>	<u>(4,206)</u>

	Share Capital US\$	Accumulated Reserves US\$	Audited Total US\$
As at 1 January 2014	3	1,198	1,201
Total comprehensive loss for the year	-	(1,014)	(1,014)
As at 31 December 2014	<u>3</u>	<u>184</u>	<u>187</u>



**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2015

	31-Dec-15 US\$	31-Dec-14 US\$
<b>Cash flows from operating activities</b>		
Profit/(Loss) for the year	1,607	(1,014)
Fair value (gain)/loss on financial liabilities at fair value through profit or loss	(7,665,073)	3,802,088
Fair value loss/(gain) on financial assets at fair value through profit or loss	7,665,073	(3,802,088)
Decrease in receivables	417,951	68,673
Decrease in payables	(413,323)	(70,813)
<b>Net cash inflow/(outflow) from operating activities</b>	<u>6,235</u>	<u>(3,154)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(49,768,507)	(61,320,530)
Sale of investments	37,124,349	14,877,048
<b>Net cash outflow from investing activities</b>	<u>(12,644,158)</u>	<u>(46,443,482)</u>
<b>Financing</b>		
Dividends paid	(6,000)	-
Issue of Certificates	49,768,507	61,320,530
Redemption of Certificates	(37,124,349)	(14,877,048)
<b>Net cash inflow from financing</b>	<u>12,638,158</u>	<u>46,443,482</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<u>235</u>	<u>(3,154)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>1,522</u>	<u>4,676</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>1,757</u></u>	<u><u>1,522</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 GENERAL INFORMATION

The Company's principal place of business is at 47 Esplanade, St. Helier, Jersey JE1 0BD. The Company was incorporated on 29 May 2012 under the Companies (Jersey) Law 1991. The principal activity of the Company is to issue secured and unsecured Certificates (together "the Certificates") under the terms of a US\$10,000,000,000 Certificate programme (increased to US\$20,000,000,000 on 24 June 2015). The Certificates will be issued in series and will provide holders with indirect access to various leveraged products holding investments in a range of trading programs.

Seven Series of Certificates were in issue during the year, providing direct access to the following programs all of which are Limited Liability Companies, incorporated in Delaware, the Cayman Islands and Ireland, and all listed on the Irish Stock Exchange:

E2 Quest TradeCo - QTI Program LLC	Delaware
E2 WNTN TradeCo - Diversified Program LLC	Delaware
Old Mutual UK Specialist Equity Fund Limited	Cayman Islands
Lynx (Cayman) Fund Limited	Cayman Islands
Lupus Alpha Commodity Plus Fund plc	Ireland
IPM Cayman Fund Limited	Ireland
Quantica Capital (Cayman) Fund Limited	Ireland

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below:

**Basis of Preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including standards and interpretations issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements to comply with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future periods if the revision affects both current and future periods.

The following amendments to IFRS were adopted by the Company for the financial year beginning on 1 January 2015 of which none have a material effect on the financial statements of the Company.

Amendments to IFRS 13 'Fair Value Measurement'  
Amendments to IAS 24 'Related Party Disclosures'

Standards and amendments to standards issued but not yet effective up to the date of issuance of these financial statements are items listed below. None of these items are expected to have a material effect on the financial statements of the Company.

	Effective Date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 'Revenue from contracts with customers'	1 January 2018
Amendments to IAS 1 'Presentation of Financial Statements'	1 January 2016

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**Functional and presentation currency**

Items included in the financial statements of the Company are measured using the primary currency in which the Company operates. The financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

**Financial assets at fair value through profit or loss**

Financial assets include investments which provide indirect access to various underlying leveraged products. Financial assets are designated as financial assets at fair value through profit or loss. Purchases and sales of these investments are recognised on the trade date. These investments are initially recognised at cost which corresponds with the fair value of such investments and measured at fair value through profit or loss thereafter. Financial assets are derecognised when the rights to receive cash flows from these investments have expired or the Company has transferred substantially all risks and rewards of ownership.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks. For the purpose of the Statement of Cash Flows, cash and cash equivalents are considered to be all highly liquid investments with maturity of three months or less.

**Financial liabilities at fair value through profit or loss**

Financial liabilities include the Certificates issue by the Company that are listed on the Irish Stock Exchange. The Certificates are designated as financial liabilities at fair value through profit or loss. The Certificates are recognised at cost at their net issue proceeds which corresponds with the fair value of the Certificates and measured at fair value through profit or loss thereafter. Certificates issued are recognised on the trade date and derecognised, either fully or partly, when the Company has transferred substantially all or part of its financial obligations relating thereto. Realised gains or losses on derecognition of the Certificates are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2015

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Basis of Preparation (continued)*

**Share Capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Equity investments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Expenses**

All the Company expenses other than bank charges are paid by Morgan Stanley & Co. International Plc ("Morgan Stanley") and consequently are not recognised in these financial statements. Bank charges are recognised on an accruals basis.

**Revenue**

Revenue has been recognised as and when it falls due to the Company. The Company is entitled to transaction fees of US\$750 for each series of Certificates issued during the year. In addition, funds are also received by the Company from Morgan Stanley to cover bank charges.

**Taxation**

The Company is liable to Jersey income tax at a rate of 0% (2014: 0%).

**Going Concern**

The Directors have prepared the financial statements of the Company on a going concern basis. As discussed above the expenses of the Company, other than bank charges, are paid by Morgan Stanley. Income is received from Morgan Stanley to cover bank charges. The secured and unsecured Certificates are limited recourse as the principal repayment of each series is linked to the value for the financial assets. The Directors have therefore prepared the financial statements on a going concern basis.

**Valuation of certificates**

The Company held 7 Series of Certificates as at the year end. The Certificates constitute a straight pass through exposure, net of fees, to the underlying investments detailed in note 4. The underlying investments are listed on a recognised Stock Exchange as detailed in Note 4.

The Company has designated all of the Certificates at fair value through profit or loss which is equivalent to the available quoted price of the underlying investment in the market. The Certificates are initially recognised at fair value and subsequently re-measured at fair value through profit or loss based on the last traded price of the underlying investment. Profits and losses on sales are accounted for on a trade date basis and taken to the statement of comprehensive income.

**3 ACCOUNTING JUDGEMENTS**

*Critical accounting judgements and key sources of estimation uncertainty*

The Directors of the Company have made various assumptions concerning the future in the preparation of these financial statements. This included a review of the valuation assumptions used by the third party administrator in the calculation of the daily Net Asset Values of the underlying investments. Other than the valuation of the underlying investment there are no key sources of estimation uncertainty at the year end date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Financial assets at fair value through profit or loss are independently valued on an individual basis depending on the nature of the investment. Fair value estimates are made at a specific point in time, based on market conditions and other available information. The certificates investments fall under level 2 of the fair value hierarchy. The table in note 4 shows a reconciliation from beginning balances to the year ending balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

## 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Summary as at 31 December 2015

<u>Investment Program</u>	<u>Cost US\$</u> 1 Jan 2015	<u>Purchases US\$</u>	<u>Sales US\$</u>	<u>Realised gain/(loss) US\$</u>	<u>FX Movement US\$</u>	<u>Cost US\$</u> 31 Dec 2015
E2 Quest TradeCo - QTI Program LLC	185,955	3,071,300	(1,571,969)	(226,208)	-	1,459,078
E2 WNTN TradeCo - Diversified Program	1,602,450	6,343,000	(8,929,046)	3,015,953	-	2,032,357
Old Mutual UK Specialist Equity Fund Limited	47,030,585	-	(16,171,333)	1,804,888	(2,612,277)	30,051,863
Lynx (Cayman) Fund Limited	2,161,854	13,319,207	(6,350,810)	907,676	-	10,037,927
Lupus alpha Commodity Plus Fund plc	4,891,121	-	(3,201,191)	(219,940)	(498,163)	971,827
IPM (Cayman) Fund Limited	-	18,235,000	-	-	-	18,235,000
Quantica Capital Cayman Fund	-	8,800,000	(900,000)	(241,835)	-	7,658,165
	<u>55,871,965</u>	<u>49,768,507</u>	<u>(37,124,349)</u>	<u>5,040,534</u>	<u>(3,110,440)</u>	<u>70,446,217</u>

Summary as at 31 December 2015

	<u>Unrealised Fair Value Gain/(Loss) US\$</u> 1 Jan 2015	<u>FX Movement US\$</u>	<u>Fair value movement in year US\$</u>	<u>Net Unrealised Gain/(Loss) US\$</u> 31 Dec 2015
E2 Quest TradeCo - QTI Program LLC	240,401	-	(597,460)	(357,059)
E2 WNTN TradeCo - Diversified Program	2,624,071	-	(2,252,526)	371,545
Old Mutual UK Specialist Equity Fund Limited	403,664	(21,857)	5,723,229	6,105,036
Lynx (Cayman) Fund Limited	1,887,618	-	(4,246,209)	(2,358,591)
Lupus Alpha Commodity Plus Fund Plc	(43,155)	5,134	(114,277)	(152,298)
IPM (Cayman) Fund Limited	-	-	(3,678,301)	(3,678,301)
Quantica Capital Cayman Fund	-	-	(2,499,529)	(2,499,529)
	<u>5,112,599</u>	<u>(16,723)</u>	<u>(7,665,073)</u>	<u>(2,569,197)</u>

Financial assets at fair value through profit or loss

67,877,020

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

## 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

## Summary as at 31 December 2014

<u>Investment Program</u>	<u>Cost</u> <u>US\$</u> <u>1 Jan 2014</u>	<u>Purchases</u> <u>US\$</u>	<u>Sales</u> <u>US\$</u>	<u>Realised</u> <u>gain/(loss)</u> <u>US\$</u>	<u>FX Movement</u> <u>US\$</u>	<u>Cost</u> <u>US\$</u> <u>31 Jan 2014</u>
E2 Quest TradeCo - QTI Program LLC	359,540	682,500	(1,160,570)	304,485	-	185,955
E2 QIM TradeCo - Global Program LLC	233,679	78,900	(291,919)	(20,660)	-	-
E2 WNTN TradeCo - Diversified Program	3,784,355	3,360,800	(8,639,058)	3,096,353	-	1,602,450
E2 Mesirow TradeCo - Absolute Return Plus Program LLC	179,897	164,030	(206,236)	(137,691)	-	-
FTC Satori Fund Ltd	958,958	-	(914,432)	(44,526)	-	-
Old Mutual UK Specialist Equity Fund Limited	-	47,030,585	-	-	-	47,030,585
Lynx (Cayman) Fund Limited	-	3,467,843	(1,979,884)	673,895	-	2,161,854
Lupus Alpha Commodity Plus Fund Plc	-	6,535,872	(1,684,959)	40,198	-	4,891,121
	<u>5,516,429</u>	<u>61,320,530</u>	<u>(14,877,058)</u>	<u>3,912,054</u>	<u>-</u>	<u>55,871,965</u>

## Summary as at 31 December 2014

	<u>Unrealised Fair</u> <u>Value</u> <u>Gain/(Loss)</u> <u>US\$</u> <u>1 Jan 2014</u>	<u>Realised</u> <u>Gain/(Loss) on</u> <u>disposal</u> <u>US\$</u>	<u>Fair value</u> <u>movement in</u> <u>year</u> <u>US\$</u>	<u>Net Unrealised</u> <u>Gain/(Loss)</u> <u>US\$</u> <u>31 Dec 2014</u>
E2 Quest TradeCo - QTI Program LLC	33,880	-	206,521	240,401
E2 QIM TradeCo - Global Program LLC	29,973	(29,973)	-	-
E2 WNTN TradeCo - Diversified Program	1,276,631	-	1,347,440	2,624,071
E2 Mesirow TradeCo - Absolute Return Plus Program LLC	(17,632)	17,632	-	-
FTC Satori Fund Ltd	(34,309)	34,309	-	-
Old Mutual UK Specialist Equity Fund Limited	-	-	403,664	403,664
Lynx (Cayman) Fund Limited	-	-	1,887,618	1,887,618
Lupus Alpha Commodity Plus Fund Plc	-	-	(43,155)	(43,155)
	<u>1,288,542</u>	<u>21,968</u>	<u>3,802,088</u>	<u>5,112,599</u>

Financial assets at fair value through profit or loss

60,984,564

The Company used the proceeds of each issue of Certificates detailed in note 8 to acquire interest units in the Investment Programs listed above. The Investment Programmes are Delaware, the Cayman Islands and Ireland Limited Liability Companies. The Investment Programs provide exposure to leveraged derivative instruments and are held for capital appreciation. The units are listed on the Irish Stock Exchange.

## 5 TRADE AND OTHER RECEIVABLES

	<u>31-Dec-15</u> <u>US\$</u>	<u>31-Dec-14</u> <u>US\$</u>
Trades awaiting settlement	-	413,451
Transaction fees receivable	1,500	6,000
	<u>1,500</u>	<u>419,451</u>

The Company is entitled to a transaction fee of US\$750 for the issue of Certificates in each Series.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

## 6 SHARE CAPITAL

	31-Dec-15	31-Dec-14
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10,000	10,000
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	US\$ 3	US\$ 3

On incorporation 2 ordinary shares were issued and fully paid at £1 each.

## 7 TRADE AND OTHER PAYABLES

	31-Dec-15 US\$	31-Dec-14 US\$
Trades awaiting settlement	-	413,451
Amounts due to Morgan Stanley	7,087	7,335
Other payables	376	-
	7,463	420,786

All the expenses of the Company are paid by Morgan Stanley who have provided funds to cover any bank charges. Any funds remaining in the bank account following the settlement of all liabilities will then be transferred back to Morgan Stanley on dissolution of the Company.

## 8 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company may issue up to US\$10,000,000,000 secured and unsecured Certificates under the terms of the Certificate Programme dated 29 June 2012 (increased to US\$20,000,000,000 on 24 June 2014). At the year end the Company had issued seven Series of Certificates under the programme, four with a nominal value of US\$1,000,000,000, one with a nominal value of US\$500,000,000, one with a nominal value of EUR500,000,000 and one with a nominal value of GBP600,000,000. The Company has the ability to issue an additional US\$14,073,133,000 of Certificates at the period end. Details of the seven Series of Certificates in issue are as follows:

<u>Notional amount</u>	Aggregate nominal amount of certificates in Series 31/12/2015 US\$	Nominal value of Certificates repurchased by the Company 31/12/2015 US\$	Cost of Certificates Subscribed 31/12/2015 US\$
Series			
Series 1 Certificates	1,000,000,000	989,575,188	1,459,078
Series 3 Certificates	1,000,000,000	1,022,122,518	2,032,357
Series 5 Certificates - US\$ equivalent	884,082,000	839,597,941	30,051,863
Series 6 Certificates	500,000,000	498,500,000	10,037,927
Series 7 Certificates - US\$ equivalent	542,785,000	659,429,497	971,827
Series 9 Certificates	1,000,000,000	964,450,920	18,235,000
Series 10 Certificates	1,000,000,000	997,300,500	7,658,165
	5,926,867,000	5,970,976,564	70,446,217
<u>Fair Values</u>		Fair Value per Certificate 31/12/2015 US\$	Fair Value of Subscribed Certificates 31/12/2015 US\$
Series			
Series 1 Certificates		128.575320	1,102,019
Series 3 Certificates		342.680230	2,403,902
Series 5 Certificates - US\$ equivalent		177.280543	36,156,899
Series 6 Certificates		1.356827	7,679,336
Series 7 Certificates - US\$ equivalent		1.076017	819,529
Series 9 Certificates		0.777400	14,556,699
Series 10 Certificates		0.487300	5,158,636
			67,877,020
Net unrealised gain at year end			(2,569,197)
Net fair value gain for the year/Note 4			(7,665,073)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

## 8 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

<u>Number of Certificates</u>	<u>Number of</u> <u>Certificates</u> <u>31/12/2015</u>	<u>Number of</u> <u>Subscribed</u> <u>Certificates</u> <u>31/12/2015</u>	<u>Number of</u> <u>Unsubscribed</u> <u>Certificates</u> <u>31/12/2015</u>
Series			
Series 1 Certificates	10,000,000	8,571	9,991,429
Series 3 Certificates	10,000,000	7,015	9,992,985
Series 5 Certificates	6,000,000	203,953	5,796,047
Series 6 Certificates	500,000,000	5,659,775	494,340,225
Series 7 Certificates	500,000,000	761,633	499,238,367
Series 9 Certificates	1,000,000,000	18,724,851	981,275,149
Series 10 Certificates	1,000,000,000	10,586,160	989,413,840
	<u>3,026,000,000</u>	<u>35,951,958</u>	<u>2,990,048,042</u>

<u>Notional amount</u>	<u>Aggregate</u> <u>nominal amount</u> <u>of certificates in</u> <u>Series</u> <u>31/12/2014</u> <u>US\$</u>	<u>Nominal value</u> <u>of Certificates</u> <u>repurchased by</u> <u>the Company</u> <u>31/12/2014</u> <u>US\$</u>	<u>Cost of</u> <u>Certificates</u> <u>Subscribed</u> <u>31/12/2014</u> <u>US\$</u>
Series			
Series 1 Certificates	1,000,000,000	989,575,188	185,955
Series 2 Certificates	1,000,000,000	880,142,427	-
Series 3 Certificates	1,000,000,000	1,022,122,518	1,602,450
Series 4 Certificates	1,000,000,000	934,210,435	-
FTC Satori Fund Limited - US\$ equivalent	1,209,790,000	724,131,944	-
Series 5 Certificates - US\$ equivalent	934,692,000	887,661,414	47,030,585
Series 6 Certificates	500,000,000	498,500,000	2,161,854
Series 7 Certificates - US\$ equivalent	604,895,000	734,886,936	4,891,121
	<u>7,249,377,000</u>	<u>6,671,230,862</u>	<u>55,871,965</u>

<u>Fair Values</u>	<u>Fair value per</u> <u>certificate</u> <u>31/12/2014</u> <u>US\$</u>	<u>Fair value of</u> <u>Subscribed</u> <u>Certificates</u> <u>31/12/2014</u> <u>US\$</u>
Series 1 Certificates	227.268750	426,356
Series 3 Certificates	346.521380	4,226,521
Series 5 Certificates - US\$ equivalent	157.119077	47,434,249
Series 6 Certificates	2.292412	4,049,472
Series 7 Certificates - US\$ equivalent	1.412309	4,847,966
		<u>60,984,564</u>
Net unrealised gain at year end		<u>5,112,599</u>
Net fair value gain for the year/Note 4		<u>3,802,088</u>

<u>Number of Certificates</u>	<u>Number of</u> <u>Certificates</u> <u>31/12/2014</u>	<u>Number of</u> <u>Subscribed</u> <u>Certificates</u> <u>31/12/2014</u>	<u>Number of</u> <u>Unsubscribed</u> <u>Certificates</u> <u>31/12/2014</u>
Series 1 Certificates	10,000,000	1,876	9,998,124
Series 2 Certificates	10,000,000	-	10,000,000
Series 3 Certificates	10,000,000	12,197	9,987,803
Series 4 Certificates	10,000,000	-	10,000,000
FTC Satori Fund Limited	10,000,000	-	10,000,000
Series 5 Certificates	6,000,000	301,900	5,698,100
Series 6 Certificates	500,000,000	1,766,468	498,233,532
Series 7 Certificates	500,000,000	3,432,653	496,567,347
	<u>1,056,000,000</u>	<u>5,515,094</u>	<u>1,050,484,906</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

## 8 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

The Certificates constitute a straight pass through exposure, net of fees, to the underlying investments detailed in note 4. The Certificates are limited recourse to the proceeds of the investments. The Certificate holders shall have no rights or claims against any other assets or future series of the Certificates issued by the Company.

The amount of the Company's obligations in respect of the Certificates is dependent on the performance of the underlying investment in the interest units of the investment programme that each of the Certificates is exposed to, which will in turn determine the amounts repaid to the Certificate holders. The investment in the Certificates is not capital protected and therefore any negative performance of interest units in each underlying investment programme will be reflected in the redemption price, which could result in a total loss on redemption of the Certificates. The Certificates can be redeemed at any time.

The holders of the Certificates have no shareholders rights and no duty to cover losses.

As per the Prospectus, Crestbridge Fund Administrators Limited, acting as the Calculation Agent, will determine the termination amount, liquidation repayment amount or the repayment of the repurchase price as the case may be.

Following the issue of the Certificates detailed above US\$14,073,133,000 (2014: US\$ 2,750,623,000) remains available for issue under the Certificate Programme dated 29 June 2012.

## 9 TAXATION

The Company is subject to Jersey income tax at a rate of 0% (2014: 0%).

## 10 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow risk and interest rate risk), capital management risk, credit risk and liquidity risk. The financial risks relate to the following financial instruments: financial assets at fair value through profit or loss, cash and cash equivalents, trade and other payables and financial liabilities at fair value through profit or loss. The accounting policies with respect to these financial instruments are described in note 2. The Company's risk management policies employed to manage these risks are discussed below.

*(a) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The potential risk of not being able to meet its financial liabilities is mitigated by the fact that the investment interest units of E2 Quest TradeCo - QTI Program LLC, E2 WNTN TradeCo - Diversified Program LLC, OM Arbea Fund Limited, Lynx (Cayman) Fund Limited, Lupus Alpha Commodity Plus Fund plc, IPM (Cayman) Fund Limited and Quantica Capital Cayman Fund (the "Underlying Investments") are highly liquid and the repayment profile of the Certificates, the Company's main liabilities, have been matched to the liquidity profile of the investments which are publicly traded.

The following table details the Company's liquidity analysis for its financial assets and liabilities.

As at 31 December 2015	Up to 1 yr US\$	1yr to 2 yrs US\$	Over 2 yrs US\$	Total US\$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,757	-	-	1,757
Trade and other receivables	1,500	-	-	1,500
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	67,877,020	-	-	67,877,020
	<u>67,880,277</u>	<u>-</u>	<u>-</u>	<u>67,880,277</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	7,463	-	-	7,463
<b>Non-current liabilities</b>				
Financial liabilities at fair value through profit or loss	67,877,020	-	-	67,877,020
	<u>67,884,483</u>	<u>-</u>	<u>-</u>	<u>67,884,483</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

## 10 FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2014	Up to 1 yr US\$	1yr to 2 yrs US\$	Over 2 yrs US\$	Total US\$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4,676	-	-	4,676
Trade and other receivables	419,451	-	-	419,451
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	-	-	60,984,564	60,984,564
	<u>424,127</u>	<u>-</u>	<u>60,984,564</u>	<u>61,408,691</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	420,786	-	-	420,786
<b>Non-current liabilities</b>				
Financial liabilities at fair value through profit or loss	-	-	60,984,564	60,984,564
	<u>420,786</u>	<u>-</u>	<u>60,984,564</u>	<u>61,405,350</u>

**(b) Capital management**

When managing capital the Company's objectives are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and the Certificate holders.

The expenses of the Company are funded by a third party and the Company will issue further Certificates in order to fund further investments. Any capital requirements are known with some certainty and therefore no formal monitoring is considered necessary.

**(c) Credit risk**

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has been entered into with the Company. Credit risk is the potential exposure of the Company to loss in the event of non-performance by the Underlying Investments, the counterparties to the investments. In turn the Company is exposed to a potential loss under the Certificates but this is mitigated by way of a charge over the Underlying Investments. The Directors consider that the Company is not exposed to any material net credit risk as the Certificates issued have limited recourse to the proceeds of the investments and hence, amounts due to the Certificate holders are limited to the amount received from the Underlying Investments.

The following table shows the Company's maximum exposure to credit risk:

As at 31 December 2015	Up to 1 yr US\$	1yr to 2 yrs US\$	Over 2 yrs US\$	Total US\$
<b>Current assets</b>				
Cash and cash equivalents	1,757	-	-	1,757
Trade and other receivables	1,500	-	-	1,500
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	67,877,020	-	-	67,877,020
	<u>67,880,277</u>	<u>-</u>	<u>-</u>	<u>67,880,277</u>
<b>As at 31 December 2014</b>	<b>Up to 1 yr US\$</b>	<b>1yr to 2 yrs US\$</b>	<b>Over 2 yrs US\$</b>	<b>Total US\$</b>
<b>Current assets</b>				
Cash and cash equivalents	1,522	-	-	1,522
Trade and other receivables	419,451	-	-	419,451
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	-	-	3,802,088	3,802,088
	<u>420,973</u>	<u>-</u>	<u>3,802,088</u>	<u>4,223,061</u>

**(d) Market risk**

The Company's exposure to market risk is comprised of the following risks:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

## 10 FINANCIAL RISK MANAGEMENT (CONTINUED)

*(i) Foreign Exchange risk*

The Company is exposed to foreign exchange risk as some of the Company's transactions are in currencies other than US Dollars which is the Company's functional and presentational currency.

The sensitivity analyses below have been determined based on the exposure to STG and EUR exchanges rates at the reporting date:

For STG and EUR denominated financial assets and liabilities, the analysis is prepared assuming the amount of the asset outstanding at the reporting date was outstanding for the whole year. A 5% increase or decrease represents the Directors' assessment of a reasonably possible change in foreign exchange rates.

If the US\$ strengthened by 5% against the STG and EUR and all other variables held constant, the Company's comprehensive income for the year would have been US\$36 higher as a result of foreign exchange losses on translation of STG and EUR denominated financial assets and liabilities.

If the US\$ weakened by 5% against the STG and EUR and all other variables held constant, the Company's comprehensive income for the year would have been US\$36 lower as a result of foreign exchange gains on translation of STG and EUR denominated financial assets and liabilities.

The following table shows the assets and liabilities of the Company which are denominated in a foreign currency:

	Assets		Liabilities	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	US\$	US\$	US\$	US\$
EUR denominated	820,141	4,849,289	821,701	4,850,386
GBP denominated	36,157,734	47,434,252	36,156,899	47,434,250
	<u>36,977,875</u>	<u>52,283,541</u>	<u>36,978,600</u>	<u>52,284,636</u>

*(ii) Cash flow and fair value interest rate risk*

As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Company is not subject to interest rate risk on any of its liabilities.

*(iii) Price risk*

Price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer. Price risk is increased due to the leveraged nature of the investments however these are documented in the prospectus and the Certificate holders are aware of the risks.

The Company is exposed to market price risk arising from its Underlying Investments (see note 4 for the fair value of these investments). Any price risk to the Company is managed due to the limited recourse nature of the underlying Certificates as disclosed in note 8. Therefore the Directors do not believe the Company is subject to any price risk; though Certificate holders are exposed to

## Fair value measurements recognised in the statement of financial position

IFRS 13 Fair Value measurement requires disclosure of fair value measurements to be categorised by level. The levels are split between three levels:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

Inputs for asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Company's assets and liabilities were classified as follows:

All assets during the period are measured using fair values falling under level 2, there were no assets held under level 1 or 3.

31 December 2015	Level 1	Level 2	Level 3
	-	67,877,020	-
31 December 2014	Level 1	Level 2	Level 3
	-	60,984,564	-

There were no transfers between Level 1, 2 and 3 during the period. The Directors deem it most appropriate to classify all investments within level 2.

## Fair value measurements recognised in the statement of financial position (continued)

All liabilities during the period are measured using fair values falling under level 2, there were no liabilities held under level 1 or 3.

31 December 2015	Level 1	Level 2	Level 3
		67,877,020	-
31 December 2014	Level 1	Level 2	Level 3
		60,984,564	-

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2015**

**10 FINANCIAL RISK MANAGEMENT (CONTINUED)**

The valuation of the underlying investments falls under level 2 fair value hierarchy. Although the investments are quoted, they are not actively traded and the fair values have been derived using observable market data. The fair values are calculated by the third party administrators based on net asset values of the underlying funds.

**11 RELATED PARTY DISCLOSURES**

S J Rayson and C Targett, Directors of the Company, are senior employees of Crestbridge Limited ("Crestbridge") who provide ongoing administrative services to the Company at normal commercial rates. During the year £89,348 (2014: £82,580) was due to Crestbridge in respect of services of which £54,986 (2014: £17,702) was outstanding at the year end. As these expenses are paid by a third party they have not been recognised in these financial statements.

Crestbridge is the affiliate leader of a group of companies of which includes Crestbridge Corporate Services Limited (administrator to the Company), Crestbridge Fund Administrators Limited (Calculation Agent) and Crestbridge Corporate Trustees Limited (share trustee for the Company) .

During the year US\$376 (2014: US\$ Nil) was received from Oder Capital Limited, a company related by common directors, as a short term loan to cover bank charges. This remains unpaid as at the year end.

**12 SEGMENTAL REPORTING**

Management has determined that the Company operates in one industry and three geographic segments. Specifically, the Company provides holders of certificates with indirect access to various leveraged products, holding investments in a range of trading programs in the geographic regions of USA, Ireland and the Cayman Islands, through its investment holdings listed in Note 1 above.

**13 ULTIMATE CONTROLLING PARTY**

The shares are held on trust for charitable purposes. The Directors consider the ultimate controlling party to be Crestbridge Corporate Trustees Limited as Trustee of The Weser Capital Charitable Trust.

Weser Capital Limited

Report and Audited Financial Statements

For the year ended 31 December 2016

**CONTENTS PAGE**

Directors' report	2
Statement of Directors' responsibilities	3
Independent auditor's report	4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9-18

**DIRECTORS' REPORT**

**For the year ended 31 December 2016**

The Directors present their report, together with the audited financial statements of Weser Capital Limited (the "Company") for the year ended 31 December 2016.

**INCORPORATION AND PRINCIPAL ACTIVITIES**

The Company was incorporated on 29 May 2012. The principal activity of the Company is to issue secured and unsecured Certificates (together "the Certificates") under the terms a US\$20,000,000,000 Certificate programme (increased from US\$10,000,000,000 on 24 June 2015). The Certificates will be issued in series and will provide holders with indirect access to various leveraged products holding investments in a range of trading programs. There were no additional Series of Certificates issued during the year. As at the year end, there were six Series of Certificates outstanding.

**RESULTS AND DIVIDENDS**

The results for the year are set out on page 6. The Directors recommended and paid a dividend of US\$1,500 for the year (2015: US\$6,000).

**DIRECTORS**

The Directors who held office during the year and up to the date of this report were:

S M Rayson

S Conroy (appointed 24 January 2017)

F K Wilson who was appointed as a Director on 15 January 2015, resigned on 08 July 2016. C Targett who was appointed as a Director on 08 July 2016, resigned on 24 January 2017.

**COMPANY SECRETARY**

The Secretary of the Company who has been Secretary for the year under review and up to the date for this report is Crestbridge Corporate Services Limited.

**AUDITOR**

Deloitte LLP have expressed their willingness to continue in office. The Directors have obtained a waiver to dispense with the need to hold annual general meetings. As such, under Companies (Jersey) Law 1991, as amended (the "Law"), Deloitte LLP will remain in office until formally removed.

Approved by the Board of Directors  
and signed on behalf of the Board

Secretary



Date: 27th July 2017

**Registered Office**

47 Esplanade

St Helier

Jersey

JE1 0BD

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**For the year ended 31 December 2016**

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standard 1 "Presentation of Financial Statements" requires that financial statements present fairly, for each financial period, the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company at that time and to enable them to ensure that any financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESER CAPITAL LIMITED**

We have audited the financial statements of Weser Capital Limited for the year ended 31 December 2016 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

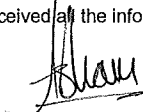
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Andrew Isham, BA, FCA  
For and on behalf of Deloitte LLP  
Recognized Auditor  
St Helier, Jersey  
Date: 27 July 2017



# Weser Capital Limited


## STATEMENT OF FINANCIAL POSITION As at 31 December 2016

	Notes	31-Dec-16 US\$	31-Dec-15 US\$
<b>Assets</b>			
<b>Investment portfolio</b>			
Financial assets at fair value through profit or loss	4	123,033,933	67,877,020
<b>Current Assets</b>			
Trade and other receivables	5	661,719	1,500
Cash and cash equivalents		15,626	1,757
		<u>677,345</u>	<u>3,257</u>
<b>Total Assets</b>		<u>123,711,278</u>	<u>67,880,277</u>
<b>Equity</b>			
<b>Capital and Reserves Attributable to the Equity Holders of the Company</b>			
Share capital	6	3	3
Accumulated reserves		8,602	(4,209)
<b>Total Equity</b>		<u>8,605</u>	<u>(4,206)</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	668,740	7,463
		<u>668,740</u>	<u>7,463</u>
<b>Non-Current Liabilities</b>			
Financial liabilities at fair value through profit or loss	8	123,033,933	67,877,020
<b>Total Liabilities</b>		<u>123,702,673</u>	<u>67,884,483</u>
<b>Total Liabilities and Equity</b>		<u>123,711,278</u>	<u>67,880,277</u>

These financial statements were approved and authorised for issue by the Board of Directors on

27 July 2017

Signed on behalf of the Board



Director

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2016

	Notes	1-Jan-16 to 31-Dec-16 US\$	01-Jan-15 to 31-Dec-15 US\$
<b>Income</b>			
Other income		13,664	-
Transaction fees		9,243	10,528
Foreign exchange gain		-	33
Fair value gain on financial assets at fair value through profit or loss	4	6,557,553	-
Fair value gain on financial liabilities at fair value through profit or loss	8	-	7,665,073
Realised gain on redemption of certificates	4	501,182	-
Realised gain on sale of investments	4	-	5,040,534
		<u>7,081,642</u>	<u>12,716,168</u>
<b>Expenditure</b>			
Fair value loss on financial assets at fair value through profit or loss	4	-	7,665,073
Fair value loss on financial liabilities at fair value through profit or loss	8	6,557,553	-
Bank charges		8,553	8,782
Bank interest payable		-	-
Transaction loss		43	172
Realised loss on redemption of certificates	4	-	5,040,534
Realised loss on sale of investments	4	501,182	-
		<u>7,067,331</u>	<u>12,714,561</u>
<b>Profit for the year</b>		<u>14,311</u>	<u>1,607</u>
Other comprehensive income		-	-
<b>Total Comprehensive Income</b>		<u>14,311</u>	<u>1,607</u>
<b>Attributable to Equity Holders of the Company</b>		<u>14,311</u>	<u>1,607</u>

All results in the current year and prior year result from continuing operations.

**Weser Capital Limited****STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

	Share Capital US\$	Accumulated Reserves US\$	Total US\$
As at 1 January 2016	3	(4,209)	(4,206)
Total comprehensive income for the year	-	14,311	14,311
Dividend paid	-	(1,500)	(1,500)
As at 31 December 2016	<u>3</u>	<u>8,602</u>	<u>8,605</u>

	Share Capital US\$	Accumulated Reserves US\$	Audited Total US\$
As at 1 January 2015	3	184	187
Total comprehensive income for the year	-	1,607	1,607
Dividend paid	-	(6,000)	(6,000)
As at 31 December 2015	<u>3</u>	<u>(4,209)</u>	<u>(4,206)</u>

**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2016

	Notes	31-Dec-16 US\$	31-Dec-15 US\$
<b>Cash flows from operating activities</b>			
Profit for the year		14,311	1,607
Fair value loss/(gain) on financial liabilities at fair value through profit or loss	8	6,557,553	(7,665,073)
Fair value (gain)/loss on financial assets at fair value through profit or loss	4	(6,557,553)	7,665,073
(Increase)/decrease in receivables		(660,219)	417,951
Increase/(decrease) in payables		661,277	(413,323)
<b>Net cash inflow from operating activities</b>		<u>15,369</u>	<u>6,235</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	4	(85,470,281)	(49,768,507)
Sale of investments	4	30,483,104	37,124,349
<b>Net cash outflow from investing activities</b>		<u>(54,987,177)</u>	<u>(12,644,158)</u>
<b>Financing</b>			
Dividends paid		(1,500)	(6,000)
Issue of Certificates	4	85,470,281	49,768,507
Redemption of Certificates	4	(30,483,104)	(37,124,349)
<b>Net cash inflow from financing</b>		<u>54,985,677</u>	<u>12,638,158</u>
<b>Increase in cash and cash equivalents</b>		<u>13,869</u>	<u>235</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>1,757</u>	<u>1,522</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><u>15,626</u></u>	<u><u>1,757</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

### 1 GENERAL INFORMATION

The Company's principal place of business is at 47 Esplanade, St. Helier, Jersey JE1 0BD. The Company was incorporated on 29 May 2012 under the Companies (Jersey) Law 1991. The principal activity of the Company is to issue secured and unsecured Certificates (together "the Certificates") under the terms of a US\$20,000,000,000 Certificate programme (increased from US\$10,000,000,000 on 24 June 2015). The Certificates will be issued in series and will provide holders with indirect access to various leveraged products holding investments in a range of trading programs.

Six Series of Certificates were in issue during the year, providing direct access to the following programs all of which are Limited Liability Companies, incorporated in Delaware, the Cayman Islands and Ireland:

E2 Quest TradeCo - QTI Program LLC (fully redeemed 2 March 2017)	Delaware
E2 WNTN TradeCo - Diversified Program LLC	Delaware
Old Mutual UK Specialist Equity Fund Limited (fully redeemed 30 April 2017)	Cayman Islands
Lynx (Cayman) Fund Limited	Cayman Islands
IPM (Cayman) Fund Limited	Ireland
Quantica Capital Cayman Fund	Ireland

Lupus Alpha Commodity Plus Fund plc was fully redeemed in the year.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below:

#### *Basis of Preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including standards and interpretations issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

The preparation of financial statements to comply with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future periods if the revision affects both current and future periods.

The following amendments to IFRS were adopted by the Company for the financial year beginning on 1 January 2015 of which none have a material effect on the financial statements of the Company.

Amendments to IFRS 7 'Financial Instruments: Disclosures'  
Amendments to IAS 1 'Presentation of Financial Statements'

Standards and amendments to standards issued but not yet effective up to the date of issuance of these financial statements are items listed below. None of these items are expected to have a material effect on the financial statements of the Company.

	Effective Date
Amendments to IAS 7 'Statement of Cash Flows'	1 January 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 'Revenue from contracts with customers'	1 January 2018

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

#### *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the primary currency in which the Company operates. The financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

#### *Financial assets at fair value through profit or loss*

Financial assets include investments which provide indirect access to various underlying leveraged products. Financial assets are designated as financial assets at fair value through profit or loss. Purchases and sales of these investments are recognised on the trade date. These investments are initially recognised at cost which corresponds with the fair value of such investments and measured at fair value through profit or loss thereafter. Financial assets are derecognised when the rights to receive cash flows from these investments have expired or the Company has transferred substantially all risks and rewards of ownership.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and deposits held at call with banks. For the purpose of the Statement of Cash Flows, cash and cash equivalents are considered to be all highly liquid investments with maturity of three months or less.

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities include the Certificates issued by the Company that are listed on the Irish Stock Exchange. The Certificates are designated as financial liabilities at fair value through profit or loss. The Certificates are recognised at cost at their net issue proceeds which corresponds with the fair value of the Certificates and measured at fair value through profit or loss thereafter. Certificates issued are recognised on the trade date and derecognised, either fully or partly, when the Company has transferred substantially all or part of its financial obligations relating thereto. Realised gains or losses on derecognition of the Certificates are recognised in the Statement of Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2016**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Basis of Preparation (continued)*

**Share Capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Equity investments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Expenses**

All the Company expenses other than bank charges are paid by Morgan Stanley & Co. International Plc ("Morgan Stanley") and consequently are not recognised in these financial statements. Bank charges are recognised on an accruals basis.

**Revenue**

Revenue has been recognised as and when it falls due to the Company. The Company is entitled to transaction fees of US\$750 for each series of Certificates issued during the year. In addition, funds are also received by the Company from Morgan Stanley to cover bank charges.

**Taxation**

The Company is liable to Jersey income tax at a rate of 0% (2015: 0%).

**Going Concern**

The Directors have prepared the financial statements of the Company on a going concern basis. As discussed above the expenses of the Company, other than bank charges, are paid by Morgan Stanley. Income is received from Morgan Stanley to cover bank charges. The secured and unsecured Certificates are limited recourse as the principal repayment of each series is linked to the value for the financial assets. The Directors have therefore prepared the financial statements on a going concern basis.

**Valuation of certificates**

The Company held six Series of Certificates as at the year end. The Certificates constitute a straight pass through exposure, net of fees, to the underlying investments detailed in note 4.

The Company has designated all of the Certificates at fair value through profit or loss which is equivalent to the available quoted price of the underlying investment in the market. The Certificates are initially recognised at fair value and subsequently re-measured at fair value through profit or loss based on the last traded price of the underlying investment. Profits and losses on sales are accounted for on a trade date basis and taken to the statement of comprehensive income.

**3 ACCOUNTING JUDGEMENTS**

*Critical accounting judgements and key sources of estimation uncertainty*

The Directors of the Company have made various assumptions concerning the future in the preparation of these financial statements. This included a review of the valuation assumptions used by the third party administrator in the calculation of the daily Net Asset Values of the underlying investments. Other than the valuation of the underlying investment there are no key sources of estimation uncertainty at the year end date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Financial assets at fair value through profit or loss are independently valued on an individual basis depending on the nature of the investment. Fair value estimates are made at a specific point in time, based on market conditions and other available information. The certificates investments fall under level 2 of the fair value hierarchy. The table in note 4 shows a reconciliation from beginning balances to the year ending balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

## 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Summary as at 31 December 2016

<u>Investment Program</u>	<u>Cost US\$ 1 Jan 2016</u>	<u>Purchases US\$</u>	<u>Sales US\$</u>	<u>Realised gain/(loss) US\$</u>	<u>FX Movement US\$</u>	<u>Cost US\$ 31 Dec 2016</u>
E2 Quest TradeCo - QTI Program LLC	1,459,078	2,941,300	(3,330,502)	(557,373)	-	512,503
E2 WNTN TradeCo - Diversified Program	2,032,357	7,109,000	(4,919,850)	340,821	-	4,562,328
Old Mutual UK Specialist Equity Fund Limited	30,051,863	429,367	(61,719)	16,522	(4,904,507)	25,531,526
Lynx (Cayman) Fund Limited	10,037,927	23,440,614	(9,539,271)	(674,697)	-	23,264,573
Lupus alpha Commodity Plus Fund plc	971,827	-	(781,762)	(193,930)	3,865	-
IPM (Cayman) Fund Limited	18,235,000	44,300,000	(5,000,000)	940,265	-	58,475,265
Quantica Capital Cayman Fund	7,658,165	7,250,000	(6,850,000)	(372,790)	-	7,685,375
	<u>70,446,217</u>	<u>85,470,281</u>	<u>(30,483,104)</u>	<u>(501,182)</u>	<u>(4,900,642)</u>	<u>120,031,570</u>

Summary as at 31 December 2016

	<u>Unrealised Fair Value Gain/(Loss) US\$ 1 Jan 2016</u>	<u>FX Movement US\$</u>	<u>Fair value movement in year US\$</u>	<u>Net Unrealised Gain/(Loss) US\$ 31 Dec 2016</u>
E2 Quest TradeCo - QTI Program LLC	(357,059)	-	232,952	(124,107)
E2 WNTN TradeCo - Diversified Program	371,545	-	(833,578)	(462,033)
Old Mutual UK Specialist Equity Fund Lynx (Cayman) Fund Limited	6,105,036	(990,624)	4,123,695	9,238,107
Lupus Alpha Commodity Plus Fund Plc	(2,358,591)	-	(3,174,490)	(5,533,081)
IPM (Cayman) Fund Limited	(152,298)	4,631	147,667	-
Quantica Capital Cayman Fund	(3,678,301)	-	3,602,909	(75,392)
	<u>(2,569,197)</u>	<u>(985,993)</u>	<u>6,557,553</u>	<u>3,002,363</u>

Financial assets at fair value through profit or loss

123,033,933

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

## 4 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

## Summary as at 31 December 2015

Investment Program	Cost US\$ 1 Jan 2015	Purchases US\$	Sales US\$	Realised gain/(loss) US\$	FX Movement US\$	Cost US\$ 31 Jan 2015
E2 Quest TradeCo - QTI Program LLC	185,955	3,071,300	(1,571,969)	(226,208)	-	1,459,078
E2 WNTN TradeCo - Diversified Program	1,602,450	6,343,000	(8,929,046)	3,015,953	-	2,032,357
Old Mutual UK Specialist Equity Fund Limited	47,030,585	-	(16,171,333)	1,804,888	(2,612,277)	30,051,863
Lynx (Cayman) Fund Limited	2,161,854	13,319,207	(6,350,810)	907,676	-	10,037,927
Lupus Alpha Commodity Plus Fund Plc	4,891,121	-	(3,201,191)	(219,940)	(498,163)	971,827
IPM (Cayman) Fund Limited	-	18,235,000	-	-	-	18,235,000
Quantica Capital Cayman Fund	-	8,800,000	(900,000)	(241,835)	-	7,658,165
	<u>55,871,965</u>	<u>49,768,507</u>	<u>(37,124,349)</u>	<u>5,040,534</u>	<u>(3,110,440)</u>	<u>70,446,217</u>

## Summary as at 31 December 2015

	Unrealised Fair Value Gain/(Loss) US\$ 1 Jan 2015	FX Movement US\$	Fair value movement in year US\$	Net Unrealised Gain/(Loss) US\$ 31 Dec 2015
E2 Quest TradeCo - QTI Program LLC	240,401	-	(597,460)	(357,059)
E2 WNTN TradeCo - Diversified Program	2,624,071	-	(2,252,526)	371,545
Old Mutual UK Specialist Equity Fund Limited	403,664	(21,857)	5,723,229	6,105,036
Lynx (Cayman) Fund Limited	1,887,618	-	(4,246,209)	(2,358,591)
Lupus Alpha Commodity Plus Fund Plc	(43,155)	5,134	(114,277)	(152,298)
IPM (Cayman) Fund Limited	-	-	(3,678,307)	(3,678,301)
Quantica Capital Cayman Fund	-	-	(2,499,529)	(2,499,529)
	<u>5,112,599</u>	<u>(16,723)</u>	<u>(7,665,079)</u>	<u>(2,569,197)</u>

Financial assets at fair value through profit or loss

67,877,020

The Company used the proceeds of each issue of Certificates detailed in note 8 to acquire interest units in the Investment Programs listed above. The Investment Programmes are Delaware, the Cayman Islands and Ireland Limited Liability Companies. The Investment Programs provide exposure to leveraged derivative instruments and are held for capital appreciation. The units are listed on the Irish Stock Exchange.

## 5 TRADE AND OTHER RECEIVABLES

	31-Dec-16 US\$	31-Dec-15 US\$
Trades awaiting settlement	661,719	-
Transaction fees receivable	-	1,500
	<u>661,719</u>	<u>1,500</u>

The Company is entitled to a transaction fee of US\$750 for the issue of Certificates in each Series.

The trades awaiting settlement were settled in January 2017.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

## 6 SHARE CAPITAL

	31-Dec-16	31-Dec-15
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10,000	10,000
<i>Allotted, called up and fully paid</i>	US\$	US\$
2 ordinary shares of £1 each	3	3

On incorporation 2 ordinary shares were issued and fully paid at £1 each, at a foreign exchange rate of GBP 1.0000 : USD 1.5000  
The Company has one class of ordinary shares which carry no right to fixed income.

## 7 TRADE AND OTHER PAYABLES

	31-Dec-16 US\$	31-Dec-15 US\$
Trades awaiting settlement	661,719	-
Amounts due to Morgan Stanley	7,021	7,087
Other payables	-	376
	<u>668,740</u>	<u>7,463</u>

All the expenses of the Company are paid by Morgan Stanley who have provided funds to cover any bank charges. Any funds remaining in the bank account following the settlement of all liabilities will then be transferred back to Morgan Stanley on dissolution of the Company.

The trades awaiting settlement were settled in January 2017.

## 8 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company may issue up to US\$10,000,000,000 secured and unsecured Certificates under the terms of the Certificate Programme dated 29 June 2012 (increased to US\$20,000,000,000 on 24 June 2014). At the year end the Company had issued six Series of Certificates under the programme, four with a nominal value of US\$1,000,000,000, one with a nominal value of US\$500,000,000 and one with a nominal value of GBP600,000,000. The Company has the ability to issue an additional US\$14,759,372,000 of Certificates at the period end. Details of the six Series of Certificates in issue are as follows:

<u>Notional amount</u>	Aggregate nominal amount of certificates in Series	Nominal value of Certificates repurchased by the Company	Cost of Certificates Subscribed
Series	31/12/2016 US\$	31/12/2016 US\$	31/12/2016 US\$
Series 1 Certificates	1,000,000,000	989,575,188	512,503
Series 3 Certificates	1,000,000,000	1,022,122,518	4,562,328
Series 5 Certificates - US\$ equivalent	740,628,000	703,362,068	25,531,526
Series 6 Certificates	500,000,000	498,500,000	23,264,573
Series 9 Certificates	1,000,000,000	964,450,920	58,475,265
Series 10 Certificates	1,000,000,000	997,300,500	7,685,375
	<u>5,240,628,000</u>	<u>5,175,311,194</u>	<u>120,031,570</u>

<u>Fair Values</u>	Fair Value per Certificate	Fair Value of Subscribed Certificates
Series	31/12/2016 US\$	31/12/2016 US\$
Series 1 Certificates	76.546180	388,395
Series 3 Certificates	263.058590	4,100,294
Series 5 Certificates - US\$ equivalent	168.632374	34,769,635
Series 6 Certificates	1.153044	17,731,491
Series 9 Certificates	0.724700	58,399,873
Series 10 Certificates	0.675000	7,644,245
		<u>123,033,933</u>
Net unrealised gain at year end		3,002,363
Net fair value gain for the year/Note 4		<u>6,557,553</u>

During the year, the foreign exchange gain on financial liabilities at fair value through profit or loss was USD 5,886,635.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2016**

**8 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)**

<u>Number of Certificates</u>	<u>Number of Certificates 31/12/2016</u>	<u>Number of Subscribed Certificates 31/12/2016</u>	<u>Number of Unsubscribed Certificates 31/12/2016</u>
Series			
Series 1 Certificates	10,000,000	5,074	9,994,926
Series 3 Certificates	10,000,000	15,587	9,984,413
Series 5 Certificates	6,000,000	206,186	5,793,814
Series 6 Certificates	500,000,000	15,377,985	484,622,015
Series 9 Certificates	1,000,000,000	80,584,894	919,415,106
Series 10 Certificates	1,000,000,000	11,324,807	988,675,193
	<u>2,526,000,000</u>	<u>107,514,533</u>	<u>2,418,485,467</u>

<u>Notional amount</u>	<u>Aggregate nominal amount of certificates in Series 31/12/2015 US\$</u>	<u>Nominal value of Certificates repurchased by the Company 31/12/2015 US\$</u>	<u>Cost of Certificates Subscribed 31/12/2015 US\$</u>
Series			
Series 1 Certificates	1,000,000,000	989,575,188	1,459,078
Series 3 Certificates	1,000,000,000	1,022,122,518	2,032,357
Series 5 Certificates - US\$ equivalent	884,082,000	839,597,941	30,051,863
Series 6 Certificates	500,000,000	498,500,000	10,037,927
Series 7 Certificates - US\$ equivalent	542,785,000	659,429,497	971,827
Series 9 Certificates	1,000,000,000	984,450,920	18,235,000
Series 10 Certificates	1,000,000,000	997,300,500	7,658,165
	<u>5,926,867,000</u>	<u>5,990,976,564</u>	<u>70,446,217</u>

<u>Fair Values</u>	<u>Fair value per certificate 31/12/2015 US\$</u>	<u>Fair value of Subscribed Certificates 31/12/2015 US\$</u>
Series 1 Certificates	128.575320	1,102,019
Series 3 Certificates	342.680230	2,403,902
Series 5 Certificates - US\$ equivalent	177.280543	36,156,899
Series 6 Certificates	1.356827	7,679,336
Series 7 Certificates - US\$ equivalent	1.076017	819,529
Series 9 Certificates	0.777400	14,556,699
Series 10 Certificates	0.487300	5,158,636
		<u>67,877,020</u>
Net unrealised gain at year end		<u>(2,569,197)</u>
Net fair value gain for the year/Note 4		<u>(7,665,073)</u>

<u>Number of Certificates</u>	<u>Number of Certificates 31/12/2015</u>	<u>Number of Subscribed Certificates 31/12/2015</u>	<u>Number of Unsubscribed Certificates 31/12/2015</u>
Series 1 Certificates	10,000,000	8,571	9,991,429
Series 3 Certificates	10,000,000	7,015	9,992,985
Series 5 Certificates	6,000,000	203,953	5,796,047
Series 6 Certificates	500,000,000	5,659,775	494,340,225
Series 7 Certificates	500,000,000	761,633	499,238,367
Series 9 Certificates	1,000,000,000	18,724,851	981,275,149
Series 10 Certificates	1,000,000,000	10,586,160	989,413,840
	<u>3,026,000,000</u>	<u>35,951,958</u>	<u>2,990,048,042</u>

During the prior year, the foreign exchange gain on financial liabilities at fair value through profit or loss was USD 3,127,163

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

## 8 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - (CONTINUED)

The Certificates constitute a straight pass through exposure, net of fees, to the underlying investments detailed in note 4. The Certificates are limited recourse to the proceeds of the investments. The Certificate holders shall have no rights or claims against any other assets or future series of the Certificates issued by the Company.

The amount of the Company's obligations in respect of the Certificates is dependent on the performance of the underlying investment in the interest units of the investment programme that each of the Certificates is exposed to, which will in turn determine the amounts repaid to the Certificate holders. The investment in the Certificates is not capital protected and therefore any negative performance of interest units in each underlying investment programme will be reflected in the redemption price, which could result in a total loss on redemption of the Certificates. The Certificates can be redeemed at any time.

The holders of the Certificates have no shareholders rights and no duty to cover losses.

As per the Prospectus, Crestbridge Fund Administrators Limited, acting as the Calculation Agent, will determine the termination amount, liquidation repayment amount or the repayment of the repurchase price as the case may be.

Following the issue of the Certificates detailed above US\$14,759,372,000 (2015: US\$14,073,133,000) remains available for issue under the Certificate Programme dated 29 June 2012.

## 9 TAXATION

The Company is subject to Jersey income tax at a rate of 0% (2015: 0%).

## 10 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow risk and interest rate risk), capital management risk, credit risk and liquidity risk. The financial risks relate to the following financial instruments: financial assets at fair value through profit or loss, cash and cash equivalents, trade and other payables and financial liabilities at fair value through profit or loss. The accounting policies with respect to these financial instruments are described in note 2. The Company's risk management policies employed to manage these risks are discussed below.

*(a) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The potential risk of not being able to meet its financial liabilities is mitigated by the fact that the investment interest units of E2 Quest TradeCo - QTI Program LLC, E2 WNTN TradeCo - Diversified Program LLC, OM Arbea Fund Limited, Lynx (Cayman) Fund Limited, IPM (Cayman) Fund Limited and Quantica Capital Cayman Fund (the "Underlying Investments") are highly liquid and the repayment profile of the Certificates, the Company's main liabilities, have been matched to the liquidity profile of the investments which are publicly traded. All certificates in issue at the year end are unsecured.

The following table details the Company's liquidity analysis for its financial assets and liabilities.

As at 31 December 2016	Up to 1 yr US\$	1yr to 2 yrs US\$	Over 2 yrs US\$	Total US\$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	15,626	-	-	15,626
Trade and other receivables	661,719	-	-	661,719
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	123,033,933	-	-	123,033,933
	<u>123,711,278</u>	<u>-</u>	<u>-</u>	<u>123,711,278</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	668,740	-	-	668,740
<b>Non-current liabilities</b>				
Financial liabilities at fair value through profit or loss	123,033,933	-	-	123,033,933
	<u>123,702,673</u>	<u>-</u>	<u>-</u>	<u>123,702,673</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2016**

**10 FINANCIAL RISK MANAGEMENT (CONTINUED)***(a) Liquidity risk (continued)*

As at 31 December 2015	Up to 1 yr US\$	1yr to 2 yrs US\$	Over 2 yrs US\$	Total US\$
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,757	-	-	1,757
Trade and other receivables	1,500	-	-	1,500
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	67,877,020	-	-	67,877,020
	<u>67,880,277</u>	<u>-</u>	<u>-</u>	<u>67,880,277</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	7,463	-	-	7,463
<b>Non-current liabilities</b>				
Financial liabilities at fair value through profit or loss	67,877,020	-	-	67,877,020
	<u>67,884,483</u>	<u>-</u>	<u>-</u>	<u>67,884,483</u>

*(b) Capital management*

When managing capital the Company's objectives are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and the Certificate holders.

The expenses of the Company are funded by a third party and the Company will issue further Certificates in order to fund further investments. Any capital requirements are known with some certainty and therefore no formal monitoring is considered necessary.

*(c) Credit risk*

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has been entered into with the Company. Credit risk is the potential exposure of the Company to loss in the event of non-performance by the Underlying Investments, the counterparties to the investments. In turn the Company is exposed to a potential loss under the Certificates but this is mitigated by way of a charge over the Underlying Investments. The Directors consider that the Company is not exposed to any material net credit risk as the Certificates issued have limited recourse to the proceeds of the investments and hence, amounts due to the Certificate holders are limited to the amount received from the Underlying Investments.

The following table shows the Company's maximum exposure to credit risk:

As at 31 December 2016	Up to 1 yr US\$	1yr to 2 yrs US\$	Over 2 yrs US\$	Total US\$
<b>Current assets</b>				
Cash and cash equivalents	15,626	-	-	15,626
Trade and other receivables	661,719	-	-	661,719
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	123,033,933	-	-	123,033,933
	<u>123,711,278</u>	<u>-</u>	<u>-</u>	<u>123,711,278</u>
<b>As at 31 December 2015</b>	<b>Up to 1 yr US\$</b>	<b>1yr to 2 yrs US\$</b>	<b>Over 2 yrs US\$</b>	<b>Total US\$</b>
<b>Current assets</b>				
Cash and cash equivalents	1,757	-	-	1,757
Trade and other receivables	1,500	-	-	1,500
<b>Investment portfolio</b>				
Financial assets at fair value through profit or loss	67,877,020	-	-	67,877,020
	<u>67,880,277</u>	<u>-</u>	<u>-</u>	<u>67,880,277</u>

*(d) Market risk*

The Company's exposure to market risk is comprised of the following risks:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2016

**10 FINANCIAL RISK MANAGEMENT (CONTINUED)****(i) Foreign Exchange risk**

The Company is exposed to foreign exchange risk as some of the Company's transactions are in currencies other than US Dollars which is the Company's functional and presentational currency.

The sensitivity analyses below have been determined based on the exposure to GBP and EUR exchanges rates at the reporting date:

For GBP and EUR denominated financial assets and liabilities, the analysis is prepared assuming the amount of the asset outstanding at the reporting date was outstanding for the whole year. A 5% increase or decrease represents the Directors' assessment of a reasonably possible change in foreign exchange rates.

If the US\$ strengthened by 5% against the GBP and EUR and all other variables held constant, the Company's comprehensive income for the year would have been US\$565 lower as a result of foreign exchange losses on translation of GBP and EUR denominated financial assets and liabilities.

If the US\$ weakened by 5% against the GBP and EUR and all other variables held constant, the Company's comprehensive income for the year would have been US\$565 higher as a result of foreign exchange gains on translation of GBP and EUR denominated financial assets and liabilities.

The following table shows the assets and liabilities of the Company which are denominated in a foreign currency:

	Assets		Liabilities	
	31/12/2016 US\$	31/12/2015 US\$	31/12/2016 US\$	31/12/2015 US\$
EUR denominated	13,403	820,141	2,105	821,701
GBP denominated	34,831,356	36,157,734	34,831,354	36,156,899
	<u>34,844,759</u>	<u>36,977,875</u>	<u>34,833,459</u>	<u>36,978,600</u>

**(ii) Cash flow and fair value interest rate risk**

As the Company has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates.

The Company is not subject to interest rate risk on any of its liabilities.

**(iii) Price risk**

Price risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer. Price risk is increased due to the leveraged nature of the investments however these are documented in the prospectus and the Certificate holders are aware of the risks.

The Company is exposed to market price risk arising from its Underlying Investments (see note 4 for the fair value of these investments). Any price risk to the Company is managed due to the limited recourse nature of the underlying Certificates as disclosed in note 8. Therefore the Directors do not believe the Company is subject to any price risk; though Certificate holders are exposed to price risk.

**Fair value measurements recognised in the statement of financial position**

IFRS 13 Fair Value measurement requires disclosure of fair value measurements to be categorised by level. The levels are split between three levels:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

Inputs for asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The Company's assets and liabilities were classified as follows:

All assets during the period are measured using fair values falling under level 2, there were no assets held under level 1 or 3.

	Level 1	Level 2	Level 3
31 December 2016	-	123,033,933	-
31 December 2015	-	67,877,020	-

There were no transfers between Level 1, 2 and 3 during the period. The Directors deem it most appropriate to classify all investments within level 2.

All liabilities during the period are measured using fair values falling under level 2, there were no liabilities held under level 1 or 3.

	Level 1	Level 2	Level 3
31 December 2016	-	123,033,933	-
31 December 2015	-	67,877,020	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**For the year ended 31 December 2016**

**10 FINANCIAL RISK MANAGEMENT (CONTINUED)**

The valuation of the underlying investments falls under level 2 fair value hierarchy. Although the investments are quoted, they are not actively traded and the fair values have been derived using observable market data. The fair values are calculated by the third party administrators based on net asset values of the underlying funds.

**11 RELATED PARTY DISCLOSURES**

S M Rayson and S Conroy, Directors of the Company, are senior employees of Crestbridge Limited ("Crestbridge") who provide ongoing administrative services to the Company at normal commercial rates. During the year £96,898 (2015: £89,348) was due to Crestbridge in respect of services of which £22,207.46 (2015: £54,986) was outstanding at the year end. As these expenses are paid by a third party they have not been recognised in these financial statements.

Crestbridge is the affiliate leader of a group of companies of which includes Crestbridge Corporate Services Limited (administrator and company secretary to the Company), Crestbridge Fund Administrators Limited (Calculation Agent) and Crestbridge Corporate Trustees Limited (share trustee for the Company).

**12 SEGMENTAL REPORTING**

Management has determined that the Company operates in one industry and three geographic segments. Specifically, the Company provides holders of certificates with indirect access to various leveraged products, holding investments in a range of trading programs in the geographic regions of USA, Ireland and the Cayman Islands, through its investment holdings listed in Note 1 above.

**13 ULTIMATE CONTROLLING PARTY**

The Immediate Parent of the Company is ExcelEdge Holdings Limited, an exempted Company incorporated in the Cayman Islands. At 31 December 2016 ExcelEdge Holdings Limited held 50% of the issued Share Capital of the Company. On 31 March 2017 ExcelEdge Holdings Limited purchased the remaining Share Capital from Crestbridge Corporate Trustees Limited as Trustee of Weser Capital Charitable Trust.

The Ultimate Controlling Party of the Company is SML Trustees Limited as Trustee of ExcelEdge Limited Trust, an accumulation charitable discretionary trust established for charitable purposes in the Cayman Islands.

**14 EVENTS AFTER THE REPORTING PERIOD**

On 2 March 2017 the Company disposed of its remaining interest in E2 Quest TradeCo - QTI Program LLC at fair value. The Series 1 certificates linked to this investment were retired 3 May 2017 once all final redemption proceeds had been received by the Company and paid on to the subscribers of the Certificates.

On 30 April 2017 the Company disposed of its remaining interest in Old Mutual UK Specialist Equity Fund Limited at fair value. Approximately 90% of the redemption proceeds were received, with the remainder being retained to cover any liquidation expenses of the Fund. Therefore, 90% of the Series 5 certificates were repurchased by the Company. The remaining certificates will be repurchased by the Company upon receipt and onward payment of any liquidation surplus. Any liquidation expenses of the Fund will reduce the redemption proceeds received by the Company and therefore reduce the final payment to the investors in the Series. Any such reduction will be allocated based on the proportion of certificates held by each investor. Following this payment, the Series 5 certificates will be retired.

## INDEX

£ .....	6	Euro .....	6
€ .....	6	Euroclear .....	2
2010 PD Amending Directive .....	92	Euronext Dublin .....	2
Accountholder .....	75	Event of Default .....	68
Additional Certificate Number .....	55	Exchange Date .....	75
Additional Increased Tax .....	67	Exchange Event .....	74
Adjusted Maturity Date .....	45	Expenses Agreement .....	47
Agency Agreement .....	44	Extraordinary Dealing Day .....	64
Agents .....	45	Extraordinary Resolution .....	70
Alternative Programme Agreements .....	45	FATCA .....	25
Authorities .....	35	FFI .....	25
BaFin .....	94	Final Terms .....	1, 44, 47, 98
Balancing Amount .....	55	First Regular Year Fees .....	64
Banking Act .....	35	First Year Fees .....	64
Basic Terms Modification .....	28, 70	Fixed Maturity Date .....	47
Business Day .....	45	FSMA .....	35, 92
Calculation Agent .....	44	Global Certificate .....	19, 51, 74
Cash Account .....	45	holder .....	46
Cash Account Agreement .....	45	Holding Company .....	79
Cash Account Bank .....	45	IGA .....	25
CDOT .....	25	Illegality .....	47
Central Bank .....	2	Initial Cash Account Amount .....	47
Certificate .....	45	Investment Company Act .....	3
Certificate Buy-back Amount .....	45	IRS .....	25
Certificate Custodian .....	44	Issue Date .....	44
Certificate Price .....	45	Issuer .....	1, 44
Certificate Redemption Amount .....	15, 46	Jersey Registrar .....	5
Certificateholder Expenses .....	67	Main Securities Market .....	2
Certificateholders .....	2, 46	Mandatory Redemption Event .....	15, 59
Certificates .....	1	Maturity Date .....	47
Clearstream, Luxembourg .....	2	Method A .....	18
Collateral .....	1, 53	Method B .....	18
Commission .....	5	Method C .....	18
Common Depositary .....	19, 51, 74	Method D .....	18
Common Reporting Standard .....	24	Minimum Fee Amount .....	47
Companies Act .....	93	Mortgaged Property .....	1, 53
Company .....	1, 14, 46, 84	MS Certificates .....	47
Company Administrator .....	46	MSIP .....	82
Company Business Day .....	46	Net Realised Share NAV .....	47
Company Commodity Broker .....	46	Note Trustee .....	44
Company Document .....	46	Number of Certificates .....	47
Company Investment Subscription Date .....	46	Official List .....	2
Company Manager .....	46	Participating FFI .....	25
Company Trading Adviser .....	46	Paying Agent .....	44
Conditions .....	44	paying agents .....	25
Corporate Administration Agreement .....	79	Payment Business Day .....	48
Corporate Administrator .....	46, 79	Periodic Basis .....	48
Custodian Certificates .....	46	Portfolio Value .....	48
Custodian Global Certificate .....	13	Potential Early Termination Event .....	90
Dealer .....	46, 89	Potential Event of Default .....	90
Dealer Agreement .....	46, 89	Principal Financial Centre .....	48
Definitive Certificates .....	50	Principal Trust Deed .....	44
Distribution Compliance Period .....	91	Programme .....	1, 48
Early Termination Event .....	60	Prospectus Directive .....	2, 92, 97
Enforcement Notice .....	68	Purchase Date .....	16, 63

Realised Share NAV .....	48
Realised Value .....	65
Redemption Date .....	16, 59
Register.....	51
Registrar .....	44
Regulated Market .....	2
Regulation S .....	3
Relevant Agreement .....	49
Relevant Date .....	49
Relevant Entity .....	35
Relevant Implementation Date .....	92
Relevant Member State .....	92
Reporting FI .....	25
Requested Fungible Notional .....	49
Savings Directive .....	25
Scheduled Maturity Date .....	49
Secured Certificateholders .....	19, 49
Secured Certificates .....	1, 44
Secured Series .....	1, 49
Secured Series Custodian Certificates .....	13, 49
Securities Act .....	3
Security .....	53
Security Trustee.....	44
Series .....	1, 11, 44, 50
Series Assets .....	2
Series Transaction Parties.....	22

Share NAV .....	49
Share Trustee .....	79
Shares .....	1, 20, 49, 84
Specified Currency .....	49
SRR.....	35
Subscription Conditions Precedent.....	49, 90
Subsequent Year Fees .....	64
Supplement .....	5, 7
Supplemental Redemption Amount.....	60
Supplemental Trust Deed .....	44
Swap.....	1, 49, 84
Swap Counterparty .....	1, 49
TARGET .....	49
Tax Event .....	50
Transaction Fees .....	50
Transfer Agent .....	44
Trust Deed .....	11, 44
Underlying Assets .....	1, 53
Unsecured Certificateholders.....	2, 50
Unsecured Certificates.....	1, 44
Unsecured Series.....	1, 50
Unsecured Series Custodian Certificates .....	13, 50
Unsecured Series Property.....	2, 54
US dollars .....	6
US\$ .....	6



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