

# ROYAL FIDELITY

Money at Work



Royal Fidelity (Barbados)  
Investment Fund Limited

# Offering Memorandum



# ROYAL FIDELITY

Money at Work

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Royal Fidelity is a joint venture of Royal Bank of Canada and Fidelity Bank & Trust International Limited. Royal Fidelity is an experienced and well respected Caribbean investment banking group offering an innovative and solution-driven approach to transactions in the region. Royal Fidelity offers a comprehensive suite of products and services, ranging from corporate advisory to wealth management, and excels in applying local intelligence with a global perspective to provide pertinent, innovative, and well rounded solutions to clients. Royal Fidelity has deep roots in the countries it serves and is an active and well respected participant in the region.

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# **ROYAL FIDELITY (BARBADOS) INVESTMENT FUND LIMITED**

A company incorporated under the Companies Act, Cap. 308 of the laws of Barbados and licensed as a mutual fund under the Mutual Funds Act, Cap. 320B of the laws of Barbados.

## **OFFERING MEMORANDUM** Continuous Offering

### **SPONSOR**

Royal Fidelity Merchant Bank & Trust (Barbados) Limited

Publication Date: November 26, 2008

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# NOTICE

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This document (hereinafter referred to as this “Memorandum” or “Offering Memorandum”) is a prospectus for the issue of an unlimited number of redeemable mutual fund shares (“Shares”) in the Sub Funds comprised in Royal Fidelity (Barbados) Investment Fund Limited (also referred to as the “Fund”, the “Company”, the “Offeror” or the “Issuer”) detailed in the Sub Fund Supplements.

A copy of this Offering Memorandum has been filed with the Securities Commission and in accordance with the Companies Act, Chapter 308 of the laws of Barbados, a copy was registered with the Registrar of Corporate Affairs and Intellectual Property. However, the Registrar of Corporate Affairs and Intellectual Property and the Securities Commission take no responsibility as to the validity or the veracity of the contents of this prospectus. The Securities Commission has not in any way evaluated the merits of the securities offered hereunder and any representation to the contrary is an offence.

**The directors of the Fund accept responsibility for the information contained in this Offering Memorandum as being accurate as at the date of publication.**

No person receiving a copy of this document in any country may treat this document as constituting an invitation to him/her to purchase or subscribe for any shares, nor should he/she in any event purchase or subscribe for any shares, unless in the relevant territory such an invitation could lawfully be made to him/her without the Issuer complying with any registration or other legal requirements. Any person wishing to subscribe for shares of the Fund should satisfy himself/herself that, in doing so, he or she complies with the laws of any relevant country, and that he or she obtains any requisite governmental or other consents and observes any other applicable formalities.

It is not the intention of the Offeror to file a copy of this document or to register any of the securities herein mentioned with any regulatory authority or agency in any territory outside of Barbados.

Under no circumstances shall there be any implication that there has been any material change in the affairs of the Company since the date of issue/publication of this prospectus. In the event that there is any change affecting the information contained in this offering document, the Company will take reasonable steps to make available to investors and file with the Securities Commission and the Registrar of Corporate Affairs and Intellectual Property an amended offering document containing the details of any such change.

The price of units or shares and the income from them (where income is distributed) are subject to fluctuation.

**This Prospectus updates the prospectus issued in November, 2004.**

# NOTICE (cont'd)

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**IMPORTANT: Please consult your financial advisor or Attorney-at-Law if you do not fully understand the contents of this Offering Memorandum (i.e. prospectus) or if you have any queries concerning this offering document.**

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This Memorandum details the general framework applicable to all of the Sub Funds and is to be read in conjunction with the applicable Sub Fund's Supplement, which Sub Fund Supplement forms an integral part hereof. This Memorandum contains information about the Fund that a prospective investor should consider before investing and should be retained for future reference.

This Memorandum is intended solely for the person to whom it has been delivered for the purpose of evaluating a possible investment by the recipient in the Shares described herein, and it is not to be reproduced or distributed to any other persons (other than professional advisers of the prospective investor receiving this document).

No money should be paid to any intermediary in Barbados or in any other jurisdiction who is not a licensed investment fund administrator or an approved representative of the Fund.

This Offering Memorandum provides you with a general description of the Shares the Fund may offer. Each time the Fund offers Shares, the Fund will provide a Sub Fund Supplement containing specific information about the terms of the issue of such Sub Fund Shares being offered.



# DIRECTORY

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**Registered & Principal Office:**

**ROYAL FIDELITY MERCHANT BANK & TRUST  
(BARBADOS) LIMITED**

P. O. Box 1338  
Royal Fidelity House  
27 Pine Road, St. Michael  
Barbados 11113  
Telephone: 246-435-1955  
Fax: 246-435-1964

**Investment Manager:**

**ROYAL FIDELITY MERCHANT BANK & TRUST  
(BARBADOS) LIMITED**

P. O. Box 1338  
Royal Fidelity House  
27 Pine Road, St. Michael  
Barbados 11113  
Telephone: 246-435-1955  
Fax: 246-435-1964

**Administrator:**

**ROYAL FIDELITY CAPITAL MARKETS  
(BARBADOS) LIMITED**

P. O. Box 1338  
Royal Fidelity House  
27 Pine Road, St. Michael  
Barbados 11113  
Telephone: 246-435-1955  
Fax: 246-435-1964

**Banker & Sponsor:**

**ROYAL FIDELITY MERCHANT BANK & TRUST  
(BARBADOS) LIMITED**

P. O. Box 1338  
Royal Fidelity House  
27 Pine Road, St. Michael  
Barbados 11113  
Telephone: 246-435-1955  
Fax: 246-435-1964

**Custodian:**

**ROYAL BANK OF CANADA  
FINANCIAL CORPORATION**

Chelston Park  
Collymore Rock  
St. Michael, Barbados  
Telephone: 246-429-4923  
Fax: 246-429-3800

# DIRECTORY (cont'd)

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**Auditors:**

**ERNST & YOUNG**

Worthing, Christ Church  
Barbados  
Telephone: 246-430-3900  
Fax: 246-426-9551

**Legal Advisor:**

**CLARKE GITTENS FARMER**

Parkers House, Wildey Business Park  
Wildey Road, St. Michael,  
Barbados 14006  
Telephone: 246-436-6287  
Fax: 246-436-9812

# SUMMARY

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The following Summary is intended to highlight certain basic information, some of which is set forth more fully elsewhere in this Memorandum and, accordingly, should be read in conjunction with such detailed information.

<b>Administrator:</b>	Royal Fidelity Capital Markets (Barbados) Limited has been appointed as Administrator for the Fund and is responsible for the calculation of the Net Asset Value.
<b>Dollars and \$:</b>	Barbados Dollar.
<b>Benchmark:</b>	Target return set by the Directors from time to time. This will vary in relation to the investment objectives set for each Sub Fund.
<b>Business Day:</b>	Any day on which the clearing banks in Barbados are open for business or such other date as specified in the relevant Sub Fund Supplement.
<b>Continuous Offering:</b>	This Memorandum is intended to be used for the continued and future offerings of the Fund's Shares. The Fund may offer additional Shares in the future as the Directors in their sole discretion deem fit.
<b>Custodian:</b>	Royal Bank of Canada Financial Corporation.
<b>Dealing Day:</b>	The last Business Day on each month or such other date as specified in the relevant Sub Fund's Supplement or as the Directors may determine.
<b>Directors:</b>	The Directors of the Fund.
<b>Dividend Policy:</b>	Although there are no restrictions on the payment of dividends, the Fund does not anticipate that any dividends will be paid to the holders of Shares. Rather such income will be reinvested in the Fund.
<b>Fees and Expenses:</b>	The company management, custodian, legal, audit and all other expenses of the Fund.
<b>Fund:</b>	Royal Fidelity (Barbados) Investment Fund Limited.
<b>Initial Subscription Period:</b>	See information in the relevant Sub Fund's Supplement.
<b>Initial Subscription Price:</b>	\$1.00 per Share during the Initial Subscription Period and thereafter at the Net Asset Value per Share calculated on each Valuation Day unless stated otherwise in the relevant Sub Fund's Supplement.

## SUMMARY (cont'd)

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<b>Investment Manager:</b>	Royal Fidelity Merchant Bank & Trust (Barbados) Limited or such other investment manager as may be provided in the applicable Sub Fund Supplement.
<b>Management Shares:</b>	Voting non-participating non-redeemable shares of the Fund.
<b>Net Asset Value:</b>	The amount calculated as the total assets of the Sub Fund at their fair market value less the Sub Fund's liabilities also at fair value in accordance with International Financial Reporting Standards.
<b>Net Asset Value per Share:</b>	The amount realized when the total value of all assets owned by a particular Sub Fund minus the total liabilities owed by such Sub Fund is divided by the number of Shares in that Sub Fund which are outstanding. The Net Asset Value per Share will be rounded to three (3) decimal places.
<b>Redemption Day:</b>	The last Business Day of each month or such other date as specified in the relevant Sub Fund's Supplement.
<b>Residents:</b>	Citizens of Barbados and individuals residing in Barbados and holding a valid work permit issued by the Government of Barbados.
<b>Royal Fidelity:</b>	Royal Fidelity Merchant Bank & Trust (Barbados) Limited and its subsidiaries and affiliates, collectively referred to as "Royal Fidelity".
<b>Share(s):</b>	Non-voting, redeemable, participating shares representing rights to the benefits of the classes of shares representing the relevant Sub Fund(s) offered pursuant to this Offering Memorandum and the Sub Fund Supplements.
<b>Shareholder:</b>	The owner of Shares in a Sub Fund.
<b>Sub Fund:</b>	A separate sub fund which is managed separately and which is distinguished mainly by its specific asset classes or specific investment objectives and policies.
<b>Sub Fund Supplement:</b>	The Supplemental Offering Memorandum prepared in respect of each of the Sub Funds offered pursuant to this Offering Memorandum.
<b>Valuation Day:</b>	The last Business Day of each month or such other date as specified in the relevant Sub Fund's Supplement.

# THE FUND

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## INVITATION

The Fund invites applications for the purchase of an unlimited number of redeemable mutual fund shares of any of the classes of shares in the Fund set out in the Sub Fund Supplements.

The Fund offers investors, within the same investment vehicle, a choice of several Sub Funds, which are managed separately and which are distinguished mainly by their specific asset classes or specific investment objectives and policies. The particulars of each Sub Fund are more particularly described in the applicable Sub Fund Supplement. The Directors may, at any time, establish further Sub Funds and in such case, this Offering Memorandum will be updated by adding corresponding Sub Fund Supplements.

Save as otherwise disclosed herein there is no minimum subscription.

There is no closing date for applications made pursuant to this prospectus. However, the Fund may, upon the advice of the Investment Manager, from time to time close the subscription list for new shares of the Fund.

The Investment Manager may in its discretion reject any application to purchase Shares. If an application is rejected, all money received with the application will be returned through the post within seven (7) days, at the risk of the applicant.

**IMPORTANT: This invitation is made on the basis of the information and representations made in this Offering Memorandum and is subject to the terms and conditions contained herein and in the applicable Sub Fund Supplement, the Articles of Incorporation and By-laws of the Fund and upon the official application forms pertaining to the subscription of shares in the Sub Funds.**

**This invitation and any statements made in this Offering Memorandum do not constitute or shall not be interpreted as constituting investment advice by the Fund or by any of its associates, agents or affiliates, or by anyone else to any investor. The Fund strongly urges all investors to seek the advice of a professional financial advisor before investing in any of the Sub Funds.**

**No oral representations made by any person whomsoever in respect of the Shares being offered in this Offering Memorandum, and no written representations, other than official updates of this Offering Memorandum, made or issued by any person shall be binding upon the Fund.**

# THE FUND (cont'd)

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## STRUCTURE

The Fund is a company incorporated under the Companies Act, Cap. 308 of the laws of Barbados and licensed as a mutual fund under the Mutual Funds Act, Cap. 320B of the laws of Barbados for the issue and management of the Sub Funds.

The business of the Company is restricted in that it shall carry on only the business of investing the consideration it receives for the shares it issues. There is no restriction on directors of the Company acquiring Shares in the Company.

**IMPORTANT: The Articles of Incorporation, as amended, and By-laws of the Fund may be inspected during normal business hours at Royal Fidelity Merchant Bank & Trust (Barbados) Limited, Royal Fidelity House, 27 Pine Road, St. Michael, Barbados 11113.**

The financial year-end of the Fund is June 30th and the next financial period for the Fund shall end on June 30, 2009.

## INVESTMENT OBJECTIVES AND POLICIES

The overriding investment objective of the Fund is to permit investors to invest in securities in different areas and asset classes. These securities may be equities, bonds, preferred shares, exchange-traded funds, mutual funds and other securities that the Directors may approve from time to time. The specific investment objectives, policies and asset classes of each of the Sub Funds are more fully disclosed in the investment objective section of the relevant Sub Fund's Supplement.

## RISK FACTORS

Potential investors in the Fund should carefully consider the following:

- a) A Sub Fund's Net Asset Value will be subject to market fluctuations attributable to the values of the securities it holds, as well as fluctuations in the markets affecting the services provided by the entities whose securities are purchased by the Fund. Consequently, the value of a Shareholder's investment in the Fund may decrease as well as increase.
- b) While the Fund and the Investment Manager shall seek to attain the applicable Sub Fund's Investment Objective neither the Investment Manager nor the Fund, or any other party, can guarantee the extent to which the Investment Objective can or will be achieved.
- c) When Shareholders elect to redeem their Shares, their decision may be based on

## THE FUND (cont'd)

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the price of the Sub Fund on the most recent Valuation Day. There can be no assurance that adverse market conditions or other factors arising during the period between the previous Valuation Day and the Redemption Day will not result in material changes in the Net Asset Value of the Sub Fund on the date the redemptions are effected.

- d) The Shares have no voting rights and hence Shareholders cannot elect the Directors of the Fund or take other corporate action to further their interests.

**General Economic and Market Conditions:** The success of any investment activity is affected by general economic conditions, which may affect the level and volatility of interest rates and the extent and timing of investor participation in the futures markets. Unexpected volatility or illiquidity in the markets in which the Fund (directly or indirectly) holds positions could impair the Fund's ability to carry out its business or cause it to incur losses.

**Redemption Risks:** If there are substantial redemptions within a limited period of time, it may be difficult for the Fund to provide sufficient funds to meet such redemptions without liquidating positions prematurely or on unfavourable terms at a substantial loss to the Fund. The Fund reserves the right subject to the provisions of the Mutual Funds Act Cap. 320B of the laws of Barbados to honour redemption requests in such a manner as to minimize the negative effects of large numbers of redemption requests, including establishing a time-table for their execution.

In such cases, redemption requests will be accepted on a first-come, first-served basis. In addition, in times of extreme market volatility, the Directors may, subject to the provisions of the Mutual Funds Act Cap. 320B of the laws of Barbados at their discretion and upon advice received from the Investment Manager, suspend redemptions of Shares for such periods of time as it deems appropriate.

**Performance Risks:** The payment to the Investment Manager of an incentive fee may create incentives for the Investment Manager to cause the Fund to make investments that are riskier or more speculative than would be the case if it were only paid a fixed fee. In addition, since the incentive fee is calculated on a basis which includes unrealized appreciation of the Fund's assets, such fee may be greater than if it were based solely on realized gains.

**Activities of the Investment Manager:** The Investment Manager engages in other activities in connection with its investment management business. The Investment Manager may engage in other activities whether or not they compete with the business of the Fund, although the Investment Manager intends to devote such time and effort to the business of the Fund as it considers necessary or appropriate.

**Currency Risk:** Prospective Shareholders whose assets and liabilities are primarily denominated in currencies other than the currency of investment (i.e. the base currency of the Shares in

## THE FUND (cont'd)

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which they invest) should take into account the potential risk of loss arising from fluctuations in the rate of exchange between the currency of investment and such other currency.

**Exchange Rate Risks:** The Fund holds assets which may be managed in a currency or currencies other than the base currency in which the Net Asset Value of the Fund is denominated. Moreover, some markets, such as the foreign exchange market, are often subject to governmental interventions that may directly or indirectly affect the market.

**Multi-Class Structure:** The Fund is incorporated as a company under the laws of Barbados with multiple classes of shares. Under such laws, the Sub Funds are not subject to legal segregation. As a result, the assets of each class may be used to meet or guarantee the liabilities of the other classes. In addition, the Fund is a single legal entity and may operate or have assets held, and liabilities incurred, on its behalf without regard to a particular class. In this case, the assets of the Sub Fund will not be segregated.

**Fees and Expenses:** Whether or not the Fund is profitable and whether or not Shares of any given Sub Fund experience appreciation in value or not, the Fund directly or through its related Sub Funds, is required to pay fees and expenses as detailed in this Offering Memorandum. These expenses and fees will affect the performance of the Shares.

**Early Termination:** In the event of the early termination of the Fund, such an early termination would have the effect of accelerating the unamortized portion of any fees borne by the Fund thereby decreasing amounts otherwise available for distribution. Certain financial instruments held by the Fund may be highly illiquid and might have little or no marketable value. It is possible that at the time of such sale or distribution, certain securities held by the Fund would be worth less than the initial cost of such securities, or that, due to their illiquidity, they be liquidated under conditions less favourable than the ones that prevailed at the time of their valuation, and consequently resulting in a loss to investors.

**Conflicts of Interest:** There are potential conflicts of interest between the interests of the Shareholders and the business interests and activities of Royal Fidelity. Among other reasons, these potential conflicts may result from Royal Fidelity's investment activities on behalf of its other clients.

Notwithstanding the foregoing, the Investment Manager shall not enter into any such transaction on behalf of the Fund that is not at least as favorable to the Fund as could have been obtained in a transaction between the Fund and an unrelated third party freely negotiating a purchase or sale.

The Fund and Royal Fidelity have common officers and directors.

By executing a Subscription Agreement, each investor acknowledges that such conflicts of interest exist and agrees that both Royal Fidelity and the Fund will have no liability to the investor as a result of these conflicts. The investor agrees not to assert any claim against Royal



## THE FUND (cont'd)

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Fidelity or the Fund arising in connection with any conflict of interest experienced by Royal Fidelity, whether or not specifically set forth above.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE LIST OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE FUND. PROSPECTIVE INVESTORS SHOULD READ THIS MEMORANDUM, THE RELEVANT SUB FUND SUPPLEMENT AND RELEVANT PRICING SUPPLEMENT AND CONSULT WITH THEIR OWN FINANCIAL ADVISORS OR ATTORNEY-AT-LAW BEFORE DECIDING TO INVEST.**

# MANAGEMENT

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## BOARD OF DIRECTORS

The Directors have overall management responsibility for the Fund, including establishing its investment, dividend and distribution policy, and have the authority to select and replace the Fund's service providers and any officers of the Fund.

The Directors will normally meet twice a year, and at least once a year, to review the investment and administrative affairs of the Fund.

The Directors are elected annually by the holders of the Class M Shares of the Fund and shall serve until the expiration of their term of office, resignation, death or removal.

### **The current Board of Directors is comprised of the following:**

**Mr. Michael A. Anderson**

*President*

Royal Fidelity Merchant Bank & Trust (Barbados) Limited

**Mr. Frank McConney**

*Chief Executive Officer*

Light & Power Holdings Ltd.

**Mr. T. David Gittens Q.C.**

*Attorney-at-Law*

Clarke Gittens Farmer

**Mr. Stanton Gittens**

*Managing Director*

Ideal Homes Ltd.

**Mr. Reynold Royer**

*Vice President*

Royal Bank of Canada

# MANAGEMENT (cont'd)

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## INVESTMENT MANAGER

The Fund will enter into an investment management agreement with the Investment Manager on behalf of each Sub Fund.

The Investment Manager will perform the following functions, subject to overall supervision of the Directors, for each Sub Fund:

- implement the investment objectives and policies to be employed for the Sub Fund's portfolio;
- identify and analyse potential investments on a continuing basis;
- select and purchase investments for the Sub Fund;
- monitor the performance of each investment and maintain appropriate records; and
- sell investments held by the Sub Fund when deemed appropriate.

The Fund may change the Investment Management functions without notice to the Shareholders.

Under the Investment Management Agreement, the Fund will indemnify the Investment Manager out of the assets of the Fund against all liabilities, actions, proceedings, claims, costs, demands and expenses (other than out-of-pocket expenses) arising out of its proper performance of its obligations under the Investment Management Agreement provided the Investment Manager acted honestly, in good faith and with a view to the best interests of the Fund. The Investment Manager will not be indemnified against any liability to which it would otherwise be subject by reason of wilful default, wilful misfeasance, bad faith or gross negligence in the performance of its duties, or reckless disregard of its obligations and duties under the agreement. The Investment Manager will also be indemnified against expenses, including legal fees, and all judgements, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings.

## ADMINISTRATOR

Under an agreement dated November, 2008 the Fund appointed the Administrator.

The Administrator will be responsible for, *inter alia*, the following matters under the general supervision of the Directors of the Fund:

- communicating with Shareholders;
- processing subscriptions and redemptions;
- preparing and maintaining the Fund's financial and accounting records and statements;
- determining the Net Asset Value of the Shares;

# MANAGEMENT (cont'd)

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- preparing financial statements;
- arranging for the provision of accounting, clerical and administrative services;
- maintaining corporate records;
- disbursing payments of fees, expenses and salaries, if any;
- maintenance of the register of Shareholders;
- administration of the issue, redemption and transfer of the Shares on behalf of the Fund; and
- acting as paying agent in respect of any dividends payable by the Fund.

The Fund may change the Administration of the Shares of the Fund without notice to the Shareholders.

Under the Administration Agreement, the Fund will indemnify the Administrator out of the assets of the Fund against all liabilities, actions, proceedings, claims, costs, demands and expenses (other than out-of-pocket expenses) arising out of its proper performance of its obligations under the Administrative Services Agreement provided that the Administrator acted honestly, in good faith and with a view to the best interests of the Fund. The Administrator will not be indemnified against any liability to which it would otherwise be subject by reason of wilful default, wilful misfeasance, bad faith or gross negligence in the performance of its duties, or reckless disregard of its obligations and duties under the agreement. The Administrator will also be indemnified against expenses, including legal fees, and all judgement, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings.

The Administrator is a company incorporated under the laws of Barbados and is licensed as a Mutual Fund Administrator under the Mutual Funds Act, Cap 320B of the laws of Barbados.

## CUSTODIAN

Under an agreement dated November, 2008 the Fund has appointed Royal Bank of Canada Financial Corporation to serve as the Fund's Custodian. In its capacity as Custodian, it will hold the investments of the Fund in safe custody. The Custodian may delegate or sub contract the custodial functions without notice to the Shareholders.

The Fund may change the custodial functions without notice to the Shareholders.

The Custodian will be indemnified out of the assets of the Fund against all liabilities, actions, proceedings, claims, costs, demands and expenses (other than out-of-pocket expenses) arising out of its proper performance of its obligations under the Custodian Agreement except as such may result from negligence or willful default. The Custodian will also be indemnified against expenses, including legal fees, and all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings.

# **MANAGEMENT** (cont'd)

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## **AUDITORS**

The year-end financial statements of the Fund will be audited by Ernst & Young Barbados.

## **LEGAL ADVISOR**

Legal matters in connection with this offering have been passed upon for the Fund by Clarke Gittens Farmer. However, in providing such legal advice, Clarke Gittens Farmer does not take any responsibility for the financial soundness of the Fund or for the correctness of any statements made or opinions expressed in this regard.

# FEES AND EXPENSES

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## ORGANISATION COSTS

Costs and expenses associated with the organisation of the Fund, including governmental fees, incorporation charges and professional fees and expenses in connection with the preparation of the Fund's information documents and the preparation of their corporate documents and contracts, will be paid by the Sponsor. Costs and expenses solely attributable to a particular Sub Fund shall be paid from the assets of that Sub Fund.

## FEES OF THE INVESTMENT MANAGER

The fees of the Investment Manager shall be paid from the assets of the relevant Sub Fund(s).

The Investment Manager shall be paid a percentage fee, as detailed in the relevant Sub Fund.

In addition, the Investment Manager may be entitled to receive a sales commission on the relevant Classes of Shares, according to the relevant Sub Fund's Supplement.

The Investment Manager may be entitled to receive an Incentive Fee if the performance of the Fund exceeds a certain Benchmark to be established by the Directors from time to time per the relevant Sub Fund. The Benchmark is described in the relevant Sub Fund's Supplement.

## FEES OF THE ADMINISTRATOR

The fees of the Administrator shall be paid from the assets of the relevant Sub Fund.

The Administrator will receive monthly and in arrears an amount equal to a specific percent per annum of the Net Asset Value of the Sub Fund calculated on the last Valuation Day of the relevant month or as determined by the Directors from time to time as consideration for administrating the Sub Fund and expenses in maintaining the Fund's office (the "Administration Fee").

## FEES OF THE CUSTODIAN

The fees of the Custodian shall be paid out of the assets of the relevant Sub Fund.

## REMUNERATION OF DIRECTORS

The total remuneration of each Director shall be \$500 per meeting of the Directors. Only Directors who are not employed by Royal Bank of Canada, Royal Fidelity Merchant Bank & Trust (Barbados) Limited or any subsidiary of either may receive such remuneration from the Fund.

# FEES AND EXPENSES (cont'd)

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## OTHER OPERATING COSTS

The Investment Manager and the Administrator will be responsible for providing all office personnel, office space and office facilities required for the performance of their services.

The Fund will bear all other expenses incidental to its operations and business, including:

- 1) banking charges;
- 2) brokerage commissions;
- 3) fees of the Fund's legal advisers and independent auditors;
- 4) any taxes, transfer taxes and other governmental charges and duties occurring for the Fund;
- 5) the costs of printing and distributing the Offering Memoranda, reports, statements and other notices to the Shareholders; and
- 6) advertising and marketing costs.

Certain of the above noted expenses may be paid to Royal Fidelity for services rendered. All such fees and expenses charged by Royal Fidelity will be billed at standard rates charged for similar services to unrelated parties.

# SHARES OF THE FUND

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## SHARE CAPITAL

The Fund is authorized to issue an unlimited number of shares of the following classes (each, a “Class” and, collectively, “Classes”):

- a. an unlimited number of voting, non-participating common shares without nominal or par value, designated as Class M Shares (the “Class M Shares”);
- b. an unlimited number of non-voting, participating, redeemable shares without nominal or par value designated as Class A Fund Shares (the “Class A Fund Shares”);
- c. an unlimited number of non-voting, participating, redeemable shares without nominal or par value designated as Class B Shares (the “Class B Fund Shares”);
- d. an unlimited number of non-voting, participating, redeemable shares without nominal or par value designated as Class C Shares (the “Class C Fund Shares”);
- e. an unlimited number of non-voting, participating, redeemable shares without nominal or par value designated as Class D Shares (the “Class D Fund Shares”); and
- f. an unlimited number of non-voting, participating, redeemable shares without nominal or par value designated as Class N Shares (the “Class N Fund Shares”).

All shares of the Fund are, when issued, fully paid and non-assessable, and Shareholders have no personal liability for the debts of the Fund. The Shares have no preemptive, conversion, exchange or other rights or privileges save as set out in the Articles of Incorporation of the Fund.

## INVESTORS

The Fund is required to satisfy itself that each new subscriber is who he claims to be. In connection therewith the Fund is required to obtain and keep on file such documentation as may be required in order to confirm the identity of each new subscriber.

## SUBSCRIPTIONS

The Subscription Information is detailed in the relevant Sub Fund Supplement.

The Directors reserve the right to reject subscriptions in their absolute discretion, without assigning any reason therefore.



# SHARES OF THE FUND (cont'd)

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## REDEMPTION OF SHARES

### **Compulsory Redemption**

Compulsory redemptions shall be made at the Net Asset Value per share at the Redemption Day immediately preceding the issuance of a notice of redemption to the Shareholders.

The Directors have the right to require the compulsory redemption of Shares where a Shareholder is in breach of any of the representations, warranties, agreements or certifications contained in the Subscription Agreement or otherwise. Such redemptions shall be made at the Net Asset Value per share at the Redemption Day immediately preceding the date upon which the Shareholder becomes in breach of any of the representations, warranties, agreements or certifications contained in the Subscription Agreement.

### **Shareholder Redemption**

Subject to 15 days written notice any Shareholder may redeem Shares on any Redemption Day. The Directors may permit redemptions at such other times as determined in their sole discretion. The total amount of the redemption proceeds will be available as soon as reasonably practicable but within seven (7) Business Days of the relevant Redemption Day.

The redemption price per Share will be equal to the Net Asset Value per Share as of the Redemption Day on which such Shares are redeemed less any applicable Redemption Fee.

To the extent that a Shareholder authorizes the Fund to redeem Shares on the basis of instructions provided by facsimile, the Fund may retain and not distribute any redemption proceeds until it has received an original signed confirmation of the redemption instructions.

Payment of the redemption proceeds will be made only to registered Shareholders.

Partial redemptions shall be permitted so long as the remaining Net Asset Value of the Shareholder's holdings in the applicable Sub Fund after such redemption is equal to the Minimum Initial Investment for the particular Sub Fund, as stated in the applicable Sub Fund Supplement. If a Shareholder's investment in the applicable Sub Fund would be less than an amount equal to the Minimum Initial Investment for the particular Sub Fund, as stated in the applicable Sub Fund Supplement as the result of a requested partial redemption, the Fund may require the Shareholder to redeem his entire investment in the Fund, unless stated otherwise in the relevant Sub Fund Supplement.

Except in the case of a suspension of calculation of the Net Asset Value, all requests for the redemption of Shares are irrevocable.

In the event of unusual circumstances and the Fund receives redemption requests within any 30 consecutive days, representing more than 33% of a relevant Sub Fund's Shareholders for

# SHARES OF THE FUND (cont'd)

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more than 40% of each Sub Fund's assets, the Directors of the Fund reserve the right to limit the redemptions to 20% of the net assets held by each Sub Fund Shareholder and to hold a special meeting to determine the future of the relevant Sub Fund including the liquidation of the Sub Fund's assets.

The Directors may suspend the determination of Net Asset Value and of redemptions in the circumstances described under "Suspension of Net Asset Valuation" below.

The Fund may withhold payment to any person whose Shares have been tendered for redemption until after such suspension has been lifted. If a redemption request is not withdrawn by a Shareholder following notification of a suspension, the redemption will be completed on the basis of the Net Asset Value per Share on the Redemption Day immediately following the end of the suspension.

The Fund reserves the right to withhold payment with respect to any redemption proceeds until it has satisfied itself with respect to (i) the due authorization and execution of the redemption request and (ii) the identity of the recipient of any redemption proceeds.

## REDEMPTION FEES

Redemption Fees shall be charged upon the redemption of Shares at the rate specified in the applicable Sub Fund Supplement.

## SUSPENSION OF NET ASSET VALUATION

The Directors may cease or suspend the right of Shareholders of all or any Sub Fund to deal in Shares for the whole or any part of any period as any governmental body or the Securities Commission permits for the protection of the Shareholders of all or any Sub Fund. Such suspension shall take effect at such time and for such period as the Directors shall specify and such governmental body or the Securities Commission permit. During such period of suspension, the Company may not accept for surrender any Shares. The Company shall publish notice of the approval of the Securities Commission to the suspension or cessation at least once a month during such period of suspension in the newspaper in which the Fund's prices are normally published, and in such newspapers as the Securities Commission may specify.

The Directors may suspend the calculation of the Net Asset Value of a Sub Fund in any of the following events:

- 1) When as a result of political, economic, military, terrorist or monetary events or any circumstances outside the control, responsibility and power of the Fund, disposal of the assets of the Fund is not reasonable or normally practicable without being seriously detrimental to Shareholders' interests;

# SHARES OF THE FUND (cont'd)

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- 2) If it is not reasonably practicable for any reason to determine the Net Asset Value of the Shares on an accurate and timely basis;
- 3) Upon the decision to liquidate and dissolve the Fund.

## NET ASSET VALUATION

The Fund will determine the Net Asset Value of each Sub Fund on each Valuation Day.

The determination of the Net Asset Value of a Sub Fund will be calculated on the basis of the value of the portfolio of securities and other assets of the Sub Fund, less liabilities and accruals for the Sub Fund fees and expenses calculated in accordance with International Financial Reporting Standards.

For the purpose of determining the Net Asset Value of each Sub Fund, the Administrator will value assets at fair market value. The valuation guidelines as determined by the Directors will provide in part that:

- Marketable securities listed on one or more securities exchanges will be valued at the average closing price on the Valuation Day.
- Securities traded in other markets other than on a regulated securities exchange will be valued at the average closing bid price on the Valuation Day as quoted by established sources.
- All other securities will be valued at cost or at a valuation based on contemporaneous third party transactions in the private market or at fair market value, taking into consideration the cost of the securities, restrictions on the sale of the securities, the quoted price of securities of comparable publicly traded companies, market conditions, the underlying collateral, financial data and such other factors as may be considered relevant.
- If a particular market value is not easily ascertainable or if the Directors consider that some other method of valuation better reflects the fair market value of a particular investment, the Directors may substitute what is in their opinion fair market value in the content of a particular valuation.

The Net Asset Value per Share of a Sub Fund is equivalent to the Net Asset Value of a Sub Fund on the Valuation Day divided by the number of Sub Fund Shares issued and outstanding as at that date.

# SHARES OF THE FUND (cont'd)

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## **Registration and Transfer of Shares**

Shares of the Fund will be issued in registered form. Share certificates representing Shares will not be issued.

The Fund will maintain a current list of the registered names and addresses of the Fund's Shareholders at the registered office of the Fund.

Transfer of Shares can only take effect by serving upon the Fund in the manner prescribed by law, an instrument of transfer signed by or on behalf of the transferor and the transferee.

The Fund has designated the Administrator under the terms of the Administration Agreement to perform the above-mentioned duties in connection with the registration and transfer of Shares.

Any transferee will have to furnish the same information which would be required in connection with a direct subscription in order for a transfer application to be considered by the Administrator. Violation of applicable ownership and transfer restrictions may at the discretion of the Directors of the Fund result in compulsory redemption.

## **ANTI-MONEY LAUNDERING**

The Anti-Money Laundering/Combating of Terrorist Financing Guidelines issued by the Central Bank of Barbados requires the Fund to identify and obtain from investors the source of funds utilised for investment for subscriptions equal to or in excess of \$10,000 or its equivalent in foreign currency. All applicants and existing Shareholders are required to complete a "Declaration of Source of Funds" form for all transactions of \$10,000 or greater. Investors may be required to complete the form for transactions less than \$10,000 at the discretion of the Fund.

# TAXATION

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The Fund is licensed as a mutual fund under the Mutual Funds Act, Cap 320B of the laws of Barbados. In calculating the assessable income of the Fund for tax purposes, the Income Tax Act, Cap. 73 of the laws of Barbados provides for a deduction of up to 100% of the income that is designated to be income of the Fund shareholders.

Persons interested in purchasing the Shares should consult their own professional advisers and inform themselves as to any tax consequences particular to their circumstances in connection with the acquisition, ownership, or disposition of the Shares.

Dividends and interest on securities issued in certain countries and any other income as well as capital gains received by the Fund may be subject to taxes including withholding taxes imposed by such countries. The Fund will not normally benefit from a reduction in the rate of withholding tax. If this position changes in the future and the application of a lower rate results in a repayment to the Fund, the Net Asset Value will not be restated and the benefit will be allocated to the existing Shareholders ratably at the time of repayment.

The foregoing discussion represents a general summary of tax law and is based on current law and interpretations thereof on the date of this Memorandum. No assurance can be given that applicable tax law and interpretations thereof will not be changed in the future. Additionally, in view of the number of different jurisdictions where local laws may apply to Shareholders, this Memorandum does not discuss the local tax consequences to a potential investor arising from the subscription, redemption, holding and realization of Shares.

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**IMPORTANT: The above does not constitute professional tax advice / counseling by the Fund or by any of its associates, agents or affiliates, or by anyone else to any investor. The Fund strongly urges all investors to seek the advice of a professional financial advisor for advice on the tax implications of investing in mutual funds and for advice on any applicable tax laws or regulations.**

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# EXCHANGE CONTROL

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Barbados has a regime of exchange control regulations administered by the Central Bank of Barbados. These regulations require that residents convert foreign currency receipts to Barbados dollars and purchase their foreign currency requirements for goods and services from the commercial banks which have delegated authority to sell foreign exchange on behalf of the Central Bank.

Capital transactions by non-residents involving the purchase of shares in Barbados corporations or the acquisition of real property and the payment of dividends or interest or the repayment of foreign currency debt are subject to the prior approval of the Central Bank of Barbados. Similar requirements exist for residents of Barbados to invest abroad or borrow in foreign currency.

# ADDITIONAL INFORMATION

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## REPORTS AND FINANCIAL STATEMENTS

The Fund's financial year ends on June 30th. The next financial year-end shall be June 30th, 2009. Audited financial statements will be mailed to Shareholders at their registered addresses, normally within one hundred and twenty (120) days after year-end. At the same time, each Shareholder shall be furnished with an annual report of the Fund, which will include the Net Asset Value and the Net Asset Value per Share at the end of the year, and such other information as the Fund, in its discretion, determines to be necessary or appropriate. Shareholders also will receive quarterly notes with respect to the Fund's financial performance.

The Administrator will send all notices to the registered Shareholders.

## INQUIRIES

Inquiries concerning the Fund and its Shares (including information concerning subscription procedures and current Net Asset Values) should be directed to the Administrator at:

### **ROYAL FIDELITY MERCHANT BANK & TRUST (BARBADOS) LIMITED**

P. O. Box 1338  
Royal Fidelity House  
27 Pine Road  
St. Michael  
Barbados 11113  
Telephone: 246-435-1955  
Fax: 246-435-1964

# MATERIAL CONTRACTS

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The following contracts have been entered into by the Fund (other than in the ordinary course of business) since incorporation and are, or may be, material:

**INVESTMENT MANAGEMENT AGREEMENT** dated November, 2008 between the Fund and the Investment Manager specifies the terms whereby the Investment Manager agrees to act as investment manager to the Fund and, as such, is responsible for the investments of the Fund's portfolio. The agreement will continue in force unless and until terminated by any party giving to the other not less than ninety (90) days' written notice, except that this agreement may be terminated immediately by either of the parties if the other shall commit any breach of its obligations under it subject to a thirty (30) day remedy period or go into liquidation or otherwise become insolvent.

**ADMINISTRATIVE SERVICES AGREEMENT** dated November, 2008 between the Fund and the Administrator specifies the terms whereby the Administrator agrees to act as Administrator to the Fund. The agreement will continue in force unless and until terminated by any party giving to the other not less than ninety (90) days' written notice, except that this agreement may be terminated immediately by either of the parties if the other shall commit any breach of its obligations under it subject to a thirty (30) day remedy period or go into liquidation or otherwise become insolvent.

**CUSTODIAN AGREEMENT** dated November, 2008 between the Fund and the Custodian specifies the terms under which the Custodian agrees to act as custodian for the Fund. The agreement will continue in force unless and until terminated by any party giving to the other not less than ninety (90) days' written notice, except that this agreement may be terminated immediately by either of the parties if the other shall commit any breach of its obligations under it subject to a thirty (30) day remedy period or go into liquidation or otherwise become insolvent.

Each of the above service providers is empowered under their agreement to delegate their functions, powers, discretions, privileges and duties as they deem appropriate.

Copies of the above contracts, this Memorandum and the Memorandum and Articles of Association of the Fund, are available for inspection free of charge, and to make copies of such documents upon payment of a reasonable fee during normal business hours at the office of the Administrator.

## IMPORTANT WARNINGS AND NOTICES

**CONSENTS: Royal Fidelity Merchant Bank & Trust (Barbados) Limited, Royal Fidelity Capital Markets (Barbados) Limited, Royal Bank of Canada Financial Corporation, Ernst**



## **MATERIAL CONTRACTS** (cont'd)

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& Young Barbados and Clarke Gittens Farmer have all given, and have not withdrawn, their written consents to the inclusion of their names in this prospectus in the form and context in which they are included. Copies of these consents have been lodged with the Registrar of Companies as required pursuant to section 292 of the Companies Act, Cap. 308 of the laws of Barbados.

**EXTRACTS:** Any extracts included in this prospectus from referenced sources were not prepared for specific inclusion in this prospectus.

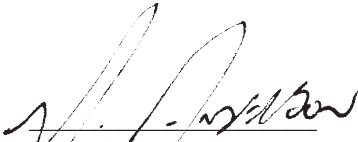
**LIMITATION ON LIABILITY:** Where any of the Administrator, Custodian, Investment Manager or Directors acted or failed to act, in reliance on any statement, advice or information supplied by an actuary, banker, accountant, broker, lawyer, agent or any other financial professional or person, such parties - i.e. the Administrator, Custodian, Investment Manager or Directors - shall not be liable for such action or inaction taken either directly by any of them or on any of their behalves. The Custodian shall not be responsible for any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any such banker, accountant, broker, lawyer, agent or any other financial professional or person.

# CERTIFICATE OF THE COMPANY

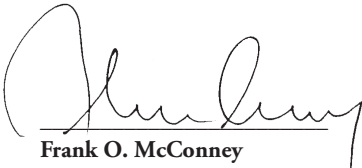
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**Dated: November 26, 2008**

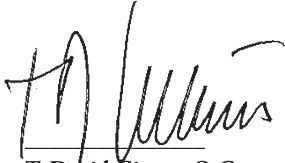
The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances.



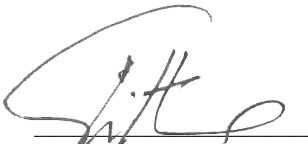
**Michael A. Anderson**  
Director



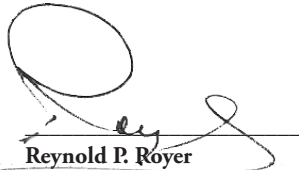
**Frank O. McConney**  
Director



**T. David Gittens Q.C.**  
Director



**Stanton D. Gittens**  
Director



**Reynold P. Royer**  
Director



# **Royal Fidelity Merchant Bank & Trust Limited**

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## **BAHAMAS**

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Royal Fidelity Merchant Bank & Trust Limited

Fidelity House

51 Frederick Street • P.O. Box N 4853

Nassau, The Bahamas

T 242.356.9801 F 242.326.3000

Royal Fidelity Merchant Bank & Trust Limited

Fidelity Financial Centre

Poinciana Drive • P.O. Box F 43922

Freeport, The Bahamas

T 242.351.3010 F 242.351.7977

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## **BARBADOS**

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Royal Fidelity Merchant Bank & Trust

(Barbados) Limited

Royal Fidelity House

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