

5 December 2013

Dear Investor

CF ARCH CRU PAYMENT SCHEME

THIS LETTER IS IMPORTANT – PLEASE READ IT CAREFULLY

DEADLINE FOR APPLYING TO THE PAYMENT SCHEME IS 31 DECEMBER 2013

Payment Scheme deadline

As you know, the Payment Scheme is a £54m package for investors in the CF Arch cru Investment Funds and CF Arch cru Diversified Funds (the “Arch Funds”). The Payment Scheme was established in 2011, and was funded voluntarily by Capita Financial Managers Limited (CFML) and the depositaries to the Arch Funds, BNY Mellon Trust & Depositary (UK) Limited and HSBC Bank plc.

In our letter of 8 October 2013, we reminded you that the deadline for accepting an offer under the Payment Scheme was **31 December 2013**.

Consumer redress scheme

In addition to the Payment Scheme, the Financial Services Authority (which was replaced by the Financial Conduct Authority on 1 April 2013) has set up a “consumer redress scheme”. We have provided you with information about this scheme previously. Under this scheme, you can ask for an independent financial adviser (IFA) or firm that advised you to invest in the Arch Funds to review the way in which your investment was sold to you. If you were mis-sold your investment in the Arch Funds, the firm must offer you compensation. Further information about the consumer redress scheme can be found at <http://www.fca.org.uk/consumers/financial-services-products/investments/news-and-investigations/cf-arch-cru?category=consumer-redress-scheme-faqs>. Details of how to seek compensation where the firm that advised you is no longer trading can be found at <http://www.fscs.org.uk/what-we-cover/questions-and-answers/qas-about-cf-arch-cru/>.

Claim against CFML in relation to the Arch Funds

As you may be aware, a group of investors brought legal proceedings against CFML in September 2013. They are claiming that CFML is liable for the entirety of their losses, and are claiming a greater amount than that offered to them under the Payment Scheme.

A Group Litigation Order has been made in the proceedings, to enable other investors to join the claim. You may recently have received a letter regarding this claim from Marcus Sinclair, the firm of solicitors that is acting for the investors who have brought the claim. Marcus Sinclair is inviting other investors who wish to join the claim to contact them.

In evaluating whether to join those legal proceedings, we consider that it is important to make you aware of the following:

Fund solutions

Ibex House, 42-47 Minories, London EC3N 1DX
Tel 0870 607 2555 Fax 0870 607 2550 www.capitaassetservices.com

Capita Asset Services is a trading name of Capita Financial Managers Limited which is authorised and regulated by the Financial Conduct Authority.
Registered office: 17 Rochester Row, London SW1P 1QT. Registered in England and Wales No. 01146888.

In evaluating whether to join those legal proceedings, we consider that it is important to make you aware of the following:

- **The deadline for accepting the Payment Scheme remains 31 December 2013.** CFML will not be issuing any further reminders to eligible investors who have not already accepted their offer of payment under the Payment Scheme or responded to the Application Pack. Applications received after 31 December 2013 will only be accepted in exceptional circumstances. (Please refer to the FAQs on our website, www.capitafinancial.com, for details of what constitutes exceptional circumstances and when applications based on exceptional circumstances will be accepted. The FAQs can be located by entering the 'Investor Services' section, going to 'Investor Communications' and clicking on 'CF Arch cru Payment Scheme'. Deciding whether or not to join the Group Litigation Order or awaiting the outcome of the litigation referred to above will not constitute exceptional circumstances.)
- If you do accept your offer under the Payment Scheme, this will be in full and final settlement of any claims you may have against CFML, BNY Mellon Trust & Depository (UK) Limited and HSBC Bank plc, and you will therefore not be able to join the legal proceedings that have been brought against CFML, or which may in the future be brought against any of the above parties.
- When the Payment Scheme was first announced in June 2011, the Financial Services Authority said that it considered that the Payment Scheme was a fair and reasonable outcome which was in the best interests of investors in the Arch Funds.
- The fact that a Group Litigation Order has been made does not imply any view from the Court as to the merits of the claim – it is simply a procedural way of enabling the Court to manage litigation affecting a large number of parties.
- CFML does not accept that it is liable for the losses claimed by the investors in the legal proceedings, and will be defending the claim. The legal proceedings involve a number of complex issues regarding the true causes of the losses suffered by the Arch Funds and which parties should bear responsibility for these losses. In this context, you will be aware from our previous letters that, in addition to the consumer redress scheme described above, the Guernsey Cells in which the Arch Funds were invested have already brought legal proceedings to recover damages from Arch Financial Products LLP in relation to its role as the investment manager of the Guernsey Cells; Bordeaux Services Guernsey Limited in relation to its role as administrator of the Guernsey Cells; and the former directors of the Guernsey Cells.
- CFML cannot advise you whether you should accept your offer under the Payment Scheme, seek to have your case reviewed under the consumer redress scheme, or join the Group Litigation Order. If you require advice in relation to such a decision, you should seek legal or other professional advice about the options that are available to you. You will not, however, be able to await the outcome of the litigation before deciding whether to accept your offer under the Payment Scheme – the deadline for accepting that offer is 31 December 2013.

Fund solutions

Ibex House, 42-47 Minorities, London EC3N 1DX
Tel 0870 607 2555 Fax 0870 607 2550 www.capitaassetservices.com

Capita Asset Services is a trading name of Capita Financial Managers Limited which is authorised and regulated by the Financial Conduct Authority.
Registered office: 17 Rochester Row, London SW1P 1QT. Registered in England and Wales No. 01146888.

How to accept your Payment Scheme offer

If you want to accept an offer under the Payment Scheme, all you need to do is complete the application form that was included in your application and return it to us by 31 December 2013. If you need another copy of your application pack, you should contact CFM using the details below.

If you have any queries about the information in this letter or anything else relating to the CF Arch cru funds you can call us on 0845 608 0958 or email cfarchcru@capitafinancial.com. You can also write to us at Capita Financial Managers Limited, Technical Services, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT.

Yours sincerely,



Chris Addenbrooke
Chief Executive Officer
Capita Financial Managers Limited

Fund solution

Ibex House, 42-47 Minories, London EC3N 1DX
Tel 0870 607 2555 Fax 0870 607 2550 www.capitaassetservices.com

Capita Asset Services is a trading name of Capita Financial Managers Limited which is authorised and regulated by the Financial Conduct Authority.
Registered office: 17 Rochester Row, London SW1P 1QT. Registered in England and Wales No. 01146888.