

CF Arch cru Funds¹ – Payment Scheme

The Payment Scheme was first announced in June 2011. At that time, it was estimated that, when combined with interim capital distributions to date and the remaining value of the CF Arch cru Funds, the Payment Scheme would help return to investors, on average, 70% of the value of the CF Arch cru Funds as at 13 March 2009, being the date when dealings in the funds were suspended. This was based on the most up to date valuations available at that time for the CF Arch cru Funds (namely the net asset values for the funds as at 31 May 2011).

The remaining value of the CF Arch cru Funds has changed over time, and will continue to do so. The most recent valuation information now available for the CF Arch cru Funds is the valuation information as at 30 September 2011. Based on this information, the total return figure is now estimated to be, on average (i.e. across all of the funds), 66%. This figure will continue to change depending on the estimated remaining value of the CF Arch cru Funds.

To help investors understand the estimated total return figure, this note explains the various component elements which go towards that figure. We have also included a chart illustrating the component parts of the estimated total return figure visually, based on the most recent (30 September 2011) valuation figures for the CF Arch cru Funds.

The value against which the estimated total return figure has been measured

The estimated total return figure has been measured against the value of the shares in issue in the CF Arch cru Funds using the last published share prices prior to dealings being suspended on 13 March 2009. We call this the "Suspension Value".

The estimated total return figure has not been measured against the value of investors' original investment in the CF Arch cru Funds. We have used the Suspension Value because this is the value which investors would have obtained had they chosen to redeem their investment on the last day before suspension. After suspension, investors have not been able to sell their shares and redeem their investment in the CF Arch cru Funds.

How the estimated total return figure has been calculated

The estimated total return figure is made up of three elements:

1. The interim capital distributions made to date

As previously explained, the CF Arch cru Funds are being wound up over time. As assets are sold, cash is returned to the CF Arch cru Funds and then to investors through capital distributions.

Five interim capital distributions have already been paid.² Investors will have received these interim capital distributions irrespective of whether or not they wish to accept their offer under the Payment Scheme.

2. The remaining value of the CF Arch cru Funds

The remaining value of the CF Arch cru Funds will be returned to investors through future capital distributions, as further assets are sold during the winding up process.

¹ i.e. the CF Arch cru Investment Funds (comprising two sub-funds - the CF Arch cru Investment Portfolio and the CF Arch cru Specialist Portfolio) and the CF Arch cru Diversified Funds (comprising four sub-funds – the CF Arch cru Balanced Fund, CF Arch cru Global Growth Fund, CF Arch cru Income Fund and CF Arch cru Finance Fund).

² The distributions (totalling approximately £96.3 million) were made in February, July and December 2010, and in July and December 2011.

As with the interim capital distributions to date, investors will receive the remaining value of their investment in the CF Arch cru Funds over time irrespective of whether or not they wish to accept their offer under the Payment Scheme.

Unlike 1 above and 3 below, the precise amount that will be returned to investors will depend on what value can be realised over time for the underlying assets of the CF Arch cru Funds. Accordingly, the amount to be returned may go up or down, and the amount which will be returned is not guaranteed.

3. The amount offered under the Payment Scheme

The total amount available under the Payment Scheme is £54 million. This has been allocated proportionately to every eligible investor in the CF Arch cru Funds.

The amount offered to each investor is fixed at approximately 34% of the difference between the Suspension Value of their holding and the value of their holding as at 31 May 2011 (including the interim capital distributions made prior to 31 May 2011). So, if the fall in value between those dates was £1000, an investor would be offered approximately £340 under the Payment Scheme.

Payments under the Payment Scheme will only be made if the investor accepts the offer made to him/her. Investors have more than a year - until 31 December 2012 - to do so. After 31 December 2012, save in exceptional circumstances, the payment under the Payment Scheme will not be available. If investors do not accept the offer under the Payment Scheme, the only sums they will receive will be the interim capital distributions made to date and the remaining value of the CF Arch cru Funds, which will be returned through future distributions – i.e. 1 and 2 above.³

The amounts offered under the Payment Scheme are fixed and will not change, whether investors accept the offer now or wait until nearer to the deadline of 31 December 2012. Investors can choose to wait if they wish to do so, but should be aware that if they wait more than six months after receiving their offer, they may lose the ability to complain to the Financial Ombudsman Service about the way in which their offer under the Payment Scheme has been calculated.⁴

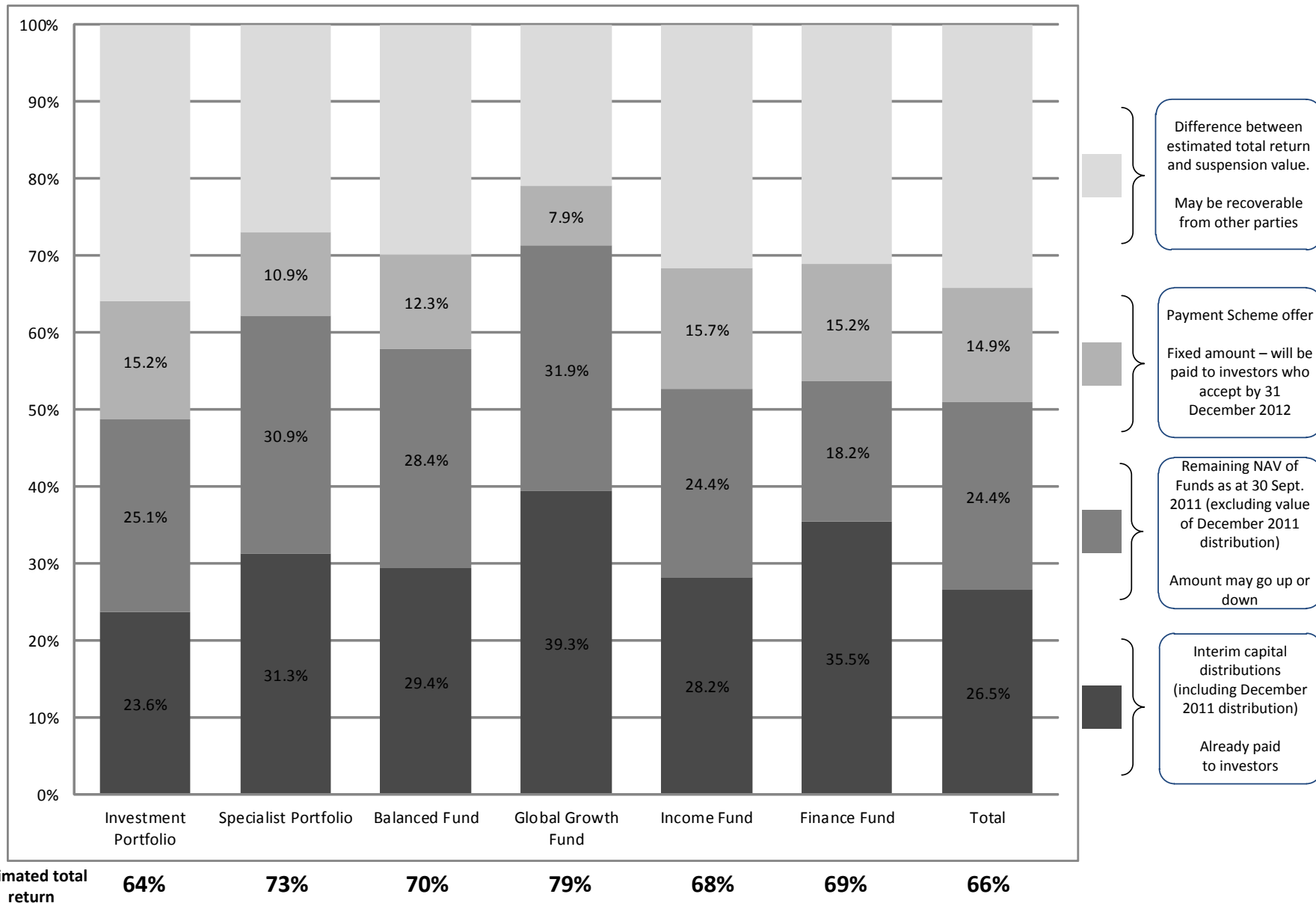
Further details about the Payment Scheme are contained in letters from Capita Financial Managers Limited ("CFM") to investors dated 31 August and 28 October 2011 and the Questions & Answers document sent with the 28 October 2011 letter. Copies of all of these documents are available on CFM's website (www.capitafinancial.com). If investors have any queries about their individual offers under the Payment Scheme, please contact CFM using the contact details set out on CFM's website.

³ Investors may be able to recover additional sums from other parties, but will need to take action in order to obtain such sums.

⁴ For investors who were sent their offer by CFM on 28 October 2011, the time for making such a complaint will run out at the end of April 2012. Details on the ability of investors to complain to the FOS are contained in CFM's letter dated 28 October 2011.

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This chart sets out our current estimate (i.e. as at 15 December 2011) of the amount of the suspension value of the CF Arch cru Funds that investors are estimated to receive, and the component parts which go towards that amount.



⁵ Total estimated return figures are shown to the nearest whole per cent.