



Price

(data from 31st August 2004)

Bid Price: 38.72p Offer Price: 41.63p

Performance over one month,
offer price to offer price: +2.33%

Manager's Comment

Over the last month markets have dipped on concerns over high oil prices, and then rallied as the crude oil price fell back again. On balance, major markets are up. This has been reflected in price of the Fund's units, which are up 2.36% to 41.63p. Whether or not a traditional pre-election rally in the US will push prices up from here remains uncertain. Much will depend on the price of oil.

According to HSBC's highly regarded global technical analyst Robin Griffiths, "market action has been very negative, driven by fears that there is something out there best avoided. There is something wrong. The economic recovery is not as good as it should be, yet interest rates are rising. The US Fed seems out of line with the facts."

The upshot is that most markets appear bearish in the long-term, with Robin saying they have an "ugly pattern." For those with a chartist bent, he explains that most stock market indices now show a pattern of falling highs and lows, below short-term and long-term moving averages.

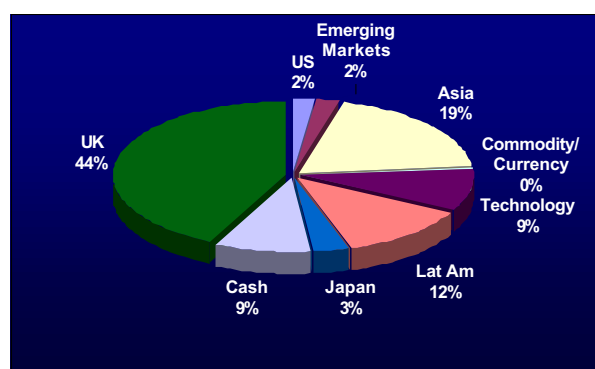
At the beginning of the month the Fund took advantage of its ability to invest in covered put warrants. Put warrants on Barclays, FTSE 100 Index, Dow Jones Index, Nasdaq 100 Index and Diageo were added to the portfolio. Many of these performed well, before being sold towards the end of August.

Top Ten Holdings

(warrants unless stated)

Aberdeen Asian Smaller Cos Inv Trust	11.86%
F&C Latin American Investment Trust	11.31%
Perpetual Income & Growth Inv Trust	9.60%
Polar Capital Technology Trust	7.21%
Scottish Oriental Smaller Companies Trust	5.61%
Aberforth Smaller Cos Trust (ordinary shares)	4.79%
Sanctuary Group (ordinary shares)	4.62%
Fidelity Special Values Trust (ordinary shares)	4.28%
Eaglet Investment Trust (ordinary shares)	4.22%
JPMorgan Fleming Jap IT (ordinary shares)	3.45%

Portfolio Breakdown



Fund Data

Investment Objective

The McHattie Warrants Alert Fund is an authorised UK unit trust. Its objective is to achieve capital growth in the medium to long-term through an internationally diversified portfolio of investment trust warrants, company warrants, covered warrants, and offshore closed end fund warrants, together with investment trust capital shares and securitised derivatives. The scheme may also invest in the equities of listed companies as and when it is considered to be in the best interests of the Fund.

Fund Manager

Benjamin Cooper

Launch Date

4th October 1999

Launch Price

100p

Initial/Annual Charge

5.5%/1.5%

Minimum Lump-Sum Investment

£2000 lump sum (£500 thereafter)

Monthly Saving Scheme Minimum

£50

Yield

Nil - accumulation units only

Dealing & Valuation

Daily, on a forward basis, at 11am

ISA

Eligible for self-select mini and maxi ISA

Technical Statistics for the Fund and the London Stock Exchange Warrants Market

	Gearing	Premium	CFP
Fund*	2.24x	2.83%	1.06%
Average**	4.4x	60.91%	24.52%

Issued by McHattie Investment Management Limited. This Factsheet should be read in conjunction with the Key Features section overleaf. *Weighted average. **Source: Warrants Alert Professional, corporate warrants

Information

0117 925 8882

www.mchattie.co.uk

Dealing & Account Information

0845 922 0044

enquiries@capitafinancial.co.uk

Key Features

McHattie Warrants Alert Fund

AIMS

The investment objective of the Scheme is to achieve capital growth over the medium to long term.

The investment policy of the Scheme is to invest in investment trust warrants, UK equity warrants, covered warrants, warrants of offshore closed end funds and warrants listed on the London Stock Exchange and other worldwide securities and derivatives markets together with investment trust capital shares and securitised derivatives. The Scheme will also invest in the equities of listed companies as and when it is considered to be in the best interests of the Scheme.

There are no specific restrictions on the investment of the Scheme (including as to economic sectors or geographical areas) except as provided in the Regulations.

Your Investment

Your investment will buy you units in the MCHattie Warrants Alert Fund. The minimum initial lump sum investment is £2000 and/or from £50 per month if you wish to make regular savings. Additional lump sums may be invested subject to a minimum of £500. There is no maximum investment and there will be no further commitment to make a payment beyond the amount indicated on your contract note.

Risk Factors

The value of investments, and the income from them, can go down as well as up and is not guaranteed. This investment is intended as a long-term investment. Due to the initial charge, if you sell soon after you buy units you may not get back the full amount invested. Changes in the rate of exchange may cause the value of some holdings to go down or up. Warrants often involve a high degree of gearing and so may be more volatile than the shares of the underlying and other companies. Charges may rise in the future which could reduce the value of your investment. Investment in unit trusts may not be suitable for all investors and, if you are in any doubt, you should seek independent financial advice.

In addition, it is anticipated that:

- (i) there will be occasions of significant turnover of investments within the Scheme;
- (ii) the net asset value of the Scheme's property is likely to experience high volatility, and Units may therefore be subject to sudden and large falls in value;
- (iii) there will be occasions on which the Scheme will hold high levels of cash to meet its objective;
- (iv) there will be a high level of derivative use in accordance with the investment policy.

If you receive advice from an independent financial adviser you may cancel your investment within 14 days. The units will be sold and you will be sent the proceeds including a refund of the initial charge. However, you may not get back the amount invested if the price of the units has fallen since your investment was made. The amount lost could be very high due to the volatility of the fund, and the risk of sudden and large falls in the value of the units in this type of fund.

ABOUT THE MCHATTIE WARRANTS ALERT FUND

What is a Unit Trust?

A unit trust is a form of collective investment. When you invest in a unit trust you buy units in that fund. Your money is pooled with that of other investors, which in turn is used to buy shares and warrants selected by the fund manager. The value, and the number of units your money buys, is directly related to the value of the shares and warrants in which the fund is invested.

Is this an appropriate investment?

If you are in any doubt as to the suitability of the MCHattie Warrants Alert Fund you should consult your independent intermediary to obtain personal advice.

How do I invest?

You can invest in a lump sum, a regular amount or a combination of the two. To start investing, simply complete the application form (including the direct debit mandate for regular savings) at the rear of this brochure and send it to the address on the form. Monies will be invested at the next valuation point following receipt, but no interest will be paid prior to investment. Should the Managers receive payment two or more days before the next valuation point then monies will be paid into a non-interest bearing client money account. Please note, the application form contains space for one joint holder. You may have up to three joint holders, details of which must be supplied on a separate sheet complete with signatures.

You may also make lump sum investments by telephoning us on 0845 922 0044 between 9.30am and 5pm on any business day. Payment for telephone purchases must be received not later than the day following the relevant valuation point.

Can I reinvest income?

The fund aims for capital growth. As only accumulation units will be issued, any income which is received by the fund will be reinvested and reflected in the price of units.

Can I add to my investment or alter my regular investments?

Additional lump sums may be invested or you can increase or decrease your payments at any time by notifying our order desk in

writing, subject to the limits set out in 'Your Investment' above.

Can I make withdrawals or cash in my investment?

You can sell all or part of your holding by notifying our order desk on 0845 922 0044, or in writing. Please note, in the case of savings plans, instructions must be made in writing. All transactions are completed at the valuation point following the receipt of your instructions. Partial sales can be made at any time, subject to a minimum of £500. In addition, the remainder of your holding must exceed £2000, unless you are continuing to invest using the regular savings facility. Sale proceeds will normally be despatched within four business days after the receipt of the correctly renounced documentation or the sale date, whichever is the later.

What type of units are available?

The fund aims for capital growth, and so only accumulation units will be issued. Any net income received will be reinvested in the fund and will be reflected in the unit price.

How often are the units valued?

The assets of the fund are valued at 11.00am on each business day for the purpose of determining the price of the units.

At what price will I buy or sell units?

All dealings are transacted at the unit price calculated at the next valuation point (forward pricing basis) following receipt of your instructions by our order desk. You buy units at the 'buying' price and sell at the 'selling' price. The difference between the two prices (the 'spread') reflects the initial charge which is taken up front on investment and also includes underlying dealing charges, broker commission (if any) and taxes. At the Managers' discretion the pricing basis of units and spread between buying and selling prices can be varied within a range prescribed in the relevant regulations.

What information will I receive?

A contract note confirming your transaction will be issued by the close of business on the next business day following the valuation point. In the case of a regular savings plan contract notes will not be despatched, but a written acknowledgement will be sent confirming the receipt of the initial payment.

Unit holders will receive a valuation statement twice a year including details of any transactions in the preceding six months and a Managers' Report twice a year giving current details of investments and a commentary from the fund Manager.

Capita Financial Administrators will maintain a register of unit holders, which serves as proof of ownership. We recommend that you keep contract notes and statements in a safe place as we do not issue certificates.

Will I receive any income?

The MCHattie Warrants Alert Fund aims for capital growth. As only accumulation units will be issued, any income which is received by the fund will be reinvested and reflected in the price of the units.

What are the accounting dates?

The interim accounting date is 31st March in each year and the annual accounting date is 30th September in each year.

How can I follow my investment?

The annual and half yearly reports of the fund will be available by 30th November and 31st May of each year. The buying and selling prices of units of the fund are published daily in the *Financial Times* listed under Authorised Unit Trusts, under the sub-heading MCHattie Investment Management Limited.

What about tax?

As income of the fund will not be distributed, but will be reflected in the value of accumulation units, you will receive a tax voucher giving details of the allocation of the fund's net income. The net income will be subject to tax and carries a tax credit of 10%. If you are a basic or lower rate taxpayer, you have no further liability, but higher rate taxpayers may be liable for further payment. You may be liable to capital gains tax when you sell your units should you exceed your annual capital gains tax limit. Gains realised within the fund are exempt from capital gains tax.

What do I do if I want to complain?

If you are not satisfied with the service you have received, please write to the Manager's Compliance Officer at MCHattie Investment Management Limited. You also have the right to complain directly to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

You are protected by the Financial Services Compensation Scheme. The Scheme provides compensation when an authorised firm is unable to pay claims against it, usually because the firm has gone out of business. Details of the Scheme are included in a leaflet that you can request from us. Further information is also available from the Financial Services Authority and the Financial Services Compensation Scheme.

HOW WILL CHARGES AND EXPENSES AFFECT MY INVESTMENT?

What are the initial and annual charges?

There is an initial charge of 5.5% of the creation price of units. This charge is taken as part of the difference (or spread) between the buying and selling prices. The spread is estimated to be 7%. An

annual charge of 1.5% of the value of the fund is reflected daily in the price of the units and is deducted each month.

The initial and annual charges are variable at the Manager's discretion up to a maximum of 7.00% and 3.00% per annum respectively, provided at least 90 days' prior notice in writing is given to all unit holders, and the scheme particulars shall be amended accordingly. Any increases above the maximum level of the initial and annual charges will require the prior agreement of the unit holders.

Other charges

In addition, a unit trust pays certain expenses itself which are taken into account when determining the price of units. These include the charges of the Trustee, the Registrar and other expenses of the fund, all of which (after allowing for the effect of tax relief) are disclosed in the Report and Accounts of the fund. These are estimated to be 0.62% per annum.

AN EXAMPLE OF THE EFFECT OF CHARGES ON AN INVESTMENT IN THE MCHATTIE WARRANTS ALERT FUND

The tables below outline the possible effect of charges and expenses on your investment. They assume a rate of growth of 6% per annum which is set by the Financial Services Authority.

You should note that these figures are only examples and are not guaranteed - they are not minimum or maximum amounts. What you will get back depends on the performance of the unit trust. You could get back more or less than these examples show. All managers use the same rates of growth for illustrations, but their charges may vary. Do not forget that inflation would reduce what you could buy in the future with the amounts shown. The investment return could be affected by fluctuations in exchange rates.

£1,000 Lump Sum Investment	End of Year	Investment to date	Effect of deductions	What you might get back @ 6%
		£	£	£
1		1,000	77	982
3		1,000	127	1,060
5		1,000	188	1,140
10		1,000	391	1,390

The last line of this table shows the effect of charges over a 10 year period, which could amount to £391. Putting it another way, this would have the same effect as bringing investment growth from 6% per annum down to 3.3% per annum.

£100 Per Month Regular Savings	End of Year	Investment to date	Effect of deductions	What you might get back @ 6%
		£	£	£
1		1,200	80	1,150
3		3,600	326	3,610
5		6,000	707	6,270
10		12,000	2,410	13,900

The last line of this table shows the effect of charges over a 10 year period, which could amount to £2,410. Putting it another way, this would have the same effect as bringing investment growth from 6% per annum down to 1.5% per annum.

HOW MUCH WILL ANY ADVICE COST?

Your adviser will give you details of the cost of any advice that is provided. The amount will depend on the size of your investment and in the case of regular savings the period for which you make them. It will be paid by us out of the initial charges described above.

FURTHER INFORMATION

You may call MCHattie Investment Management Limited directly on 0117 925 8882. Copies of the Scheme Particulars and Managers' Reports may be obtained free of charge on request.

Trustee of the Fund

Bank of New York Depository Company Ltd
One Canada Square
London
E14 5AL
Authorised and Regulated by the Financial Services Authority.

Fund Manager

MCHattie Investment Management Limited
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Authorised and Regulated by the Financial Services Authority.

Administration Office and Order Desk

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McHattie Investment Management Limited

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