



# The McHattie Warrants Alert Fund

Manager's unaudited interim report  
as at 31st March 2002

McHattie Investment Management Limited  
Authorised by the FSA

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## Fund Profile and Investment Objective of the Scheme

### 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. 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. It is anticipated that there may be periods of significant turnover of investments within the Fund. There are no specific restrictions on the investments of the Fund (as to economic sectors or geographical areas) except as provided in the Regulations.

### Authorised Status

The McHattie Warrants Alert Fund is an Authorised Unit Trust Scheme established on 24th August 1999 and launched on 22nd October 1999. The Fund is a 'warrants fund' authorised under Section 243 of the Financial Services and Markets Act 2000. The currency of the Fund is pounds sterling.

### Risk Factors

Unit trusts should be regarded as medium to long term investments and investors should be aware that the value of their units and any income from them can go down as well as up. Warrants may involve a high degree of 'gearing' or 'leverage'. This means that a small movement in the price of the underlying asset may have a disproportionately dramatic effect on the investment, both unfavourable as well as favourable. Moreover, because of the limited life of warrants, they may expire worthless. Changes in rates of exchange may also have an adverse effect on the value or price of an investment in sterling terms.

### Net Asset Value/Fund Size

Date	Net Asset Value	Units in Issue	Net Asset Value per Unit
30th September 2000	£3,740,865	3,606,177	103.73p
30th September 2001	£1,659,043	3,994,425	41.53p
31st March 2002	£2,430,231	4,183,081	58.10p

### Price and Income History

The Fund was launched on 22nd October 1999 at a unit price of 100p. Warrants do not pay dividends, therefore no income is available for distribution at the period end.

Calendar Year	Highest Buying Price	Lowest Selling Price
1999	129.27p	94.28p
2000	130.58p	77.04p
2001	97.72p	37.14p
2002 (to 31st March 2002)	63.42p	52.11p

### Prices per unit (on last dealing day of period)

Date	Buying	Selling
28th March 2002	62.80p	58.40p

### Fund Performance

From 1st October 2001 to 28th March 2002 the buying price of units rose by 37.87%.

## Manager's Investment Report

The sharp rebound in stockmarkets during the period has brought some welcome relief. After 12 months of weakness, capped by the events in the US on September 11<sup>th</sup>, the Fund has bounced back. The offer price of the Fund's units has risen sharply over the period in question, by 37.87%, and by 57.24% from its September 24<sup>th</sup> low. There is some way to go before we can say we have truly recovered, but the characteristics of the warrants market and the positioning of the portfolio mean the target is in sight.

The most damaged sectors in recent times have been technology, media and telecoms (TMT), but despite a healthy rebound, which has seen the Nasdaq Composite Index in the US rise by 23.98% over the period, investors have been concentrating their efforts on value stocks, operating in sectors such as retail, construction, property and basic industries. Further advancements in the TMT sector could be limited as prices within the sector are already discounting a sharp rebound in corporate profitability, which looks unlikely to materialise in the short-term. For the record, broader indices such as the S&P 500 Index in the US and the FTSE All-Share Index in the UK have risen by 9.67% and 9.27% respectively.

The Fund remains heavily invested in investment trust warrants which offer low or even zero premiums and modest gearing levels. This also reflects the nature of the market at present. The cash level of the Fund has fallen to 8.49% during the period, but this remains relatively high due to profit taking in some holdings which have performed well, and our feeling that a modestly defensive posture is currently prudent. We believe that following such a strong rally from September's lows, the market requires a period of consolidation before corporate earnings catch up with market expectations, and then begin to drive markets higher again. At the end of the period to 31<sup>st</sup> March 2002 the average technical figures for the warrants within the Fund, weighed by the size of the holding within the portfolio, were gearing of 2.64 times, premium of 12.92% and a capital fulcrum point of 3.39%. The rises in equity markets during the period have caused the technical characteristics of many of the warrants in the portfolio to change markedly. As many have moved back into the money, average premium and gearing levels have dipped. The technical position of the Fund remains relatively low risk when compared to the warrants market as a whole, while offering the potential for significant upside should the rally continue.

### UK Investment Trust Warrants (16.45%)

Some of the best performing warrants over the past six months have been linked to the UK, with Perpetual Income & Growth Trust warrants, TR Property Trust warrants and Fidelity Special Values Trust warrants all performing well. The Fund holds significant stakes in both Perpetual Income & Growth Trust and Fidelity Special Values Trust warrants, and sold its stake in TR Property Trust warrants towards the end of the period as they are nearing their final exercise date.

Both Perpetual Income & Growth Trust and Fidelity Special Values, plus other holdings such as Aberforth Smaller Companies Trust, and Schroder Income & Growth Trust, use a value approach to investing within their relative UK sectors. Over the period it has been these 'value' stocks which have performed well. Many of the companies in question have solid businesses which have continued to perform well despite the economic slowdown, but were marked down during the sell-off last year. We expect these types of trusts to continue outperforming in the short-term as other opportunities come to light and their current holdings continue to attract attention as potential 'safe havens' for investors.

### Asia (excluding Japan) Investment Trust Warrants (14.04%)

The Fund's exposure to Asia has continued to rise, from 12.43% to 14.04%. The performance of Asian markets has been a major contributor to the increased weighting, and the overall strong

performance of the Fund. Asia is currently one of the hottest tips for outperformance during the current year and the region has not disappointed us yet. We took the opportunity to increase our exposure to Asian investment trust warrants with an addition to our holding in JP Morgan Fleming Asian Investment Trust warrants, and we will look for further opportunities to add to our exposure.

Asia has had its share of problems over the past few years, but following the most recent currency crisis a major restructuring has occurred in the region. Debt levels in Asia have fallen dramatically, and to stop the value of their own currencies from rising, Asian governments have been investing budget surpluses in infrastructure projects which are further improving the region's competitiveness. Many companies in the area are trading on ratings which are a fraction of the levels in western markets, but their prospects for earnings growth are markedly more attractive. Our exposure to the sector remains divided between the warrants of Aberdeen Asian Smaller Companies, JP Morgan Fleming Asian, and Schroder AsiaPacific.

#### **European Investment Trust Warrants (11.22%)**

The Fund has begun to rebuild its exposure to European markets during the period to 31<sup>st</sup> March, with the re-purchase of warrants in Merrill Lynch European Trust. Europe, excluding the UK, is one of the favoured western regions at present, with some analysts expecting it to outperform the US and the UK over the medium-term. Europe has a great deal of restructuring still to perform, which should produce productivity gains and greater profitability in many industries. Consolidation in many of the sectors, including financial institutions and pharmaceuticals, is also likely to continue, which should provide a lift to those sectors which continue to trade on a discount to their US peers. European companies are increasing their global presence, and this also leads to improved efficiencies and profitability. They have also become increasingly influenced by shareholder value which, in the past, has sometimes been an afterthought for European company directors. Further decentralisation of pension provision throughout Europe is also leading to an increased level of interest in equities by individuals. For this reason we will continue to maintain a high level of exposure to Europe.

#### **Emerging Markets Investment Trust Warrants (10.28%)**

Emerging markets include both Asia and Latin America, plus the Middle-East and Eastern Europe. All these areas have been tipped as regions with significant upside potential this year, with performances such as the strong rise in South Korean equities stimulating investors to increase their weightings in the sector. Baring Emerging Europe Trust warrants have performed extremely well as commodity prices, particularly oil, have risen and the results of restructuring and investment within Eastern Europe have begun to filter through. The strong performance has prompted us to 'top-slice' profits on more than one occasion. The performance of Templeton Emerging Markets has also been impressive and this has been reflected in a strong performance from the warrants over the period. We remain confident the Emerging Markets sector will continue to perform well, stimulated by structural reform and the continued recovery in western economies.

#### **US Investment Trust Warrants (9.41%)**

Our holding in Foreign & Colonial US Smaller Companies Trust warrants has performed well as the US has recovered. The weighting has increased from 8.63%, despite the sale of a significant portion of our holding during the period. The trust remains our only route to exposure to the US market outside covered warrants, but the warrants are due to expire later this year. The US remains an important part of our portfolio and so we will begin to consider alternative strategies for gaining exposure to the US stockmarket as the final expiry approaches.

Many analysts believe US stocks are already fully valued, and on certain historic criteria this appears to be the case. The relationship between US bond yields and equity earnings suggests

the market is already at its 12-year average. Interest rates are currently held at an abnormally low level, and some of the additional monetary stimulus given to the markets after September 11<sup>th</sup> could be clawed back in the near future. This could mean a return to 3% for the Federal Funds rate in the coming months. This could be negative for US equities in the short-term, but should help keep a relatively benign inflationary environment in check.

#### **Latin American Investment Trust Warrants (9.02%)**

Following the financial crisis in Argentina, Latin American markets have bounced back strongly. The weighting within the Fund has increased, despite the fact the Fund has not added to its holdings of either F&C Latin American Investment Trust warrants or Deutsche Latin American Trust warrants. The Latin American region, like much of Asia and the other emerging markets, is undergoing a great deal of restructuring and this should lead to increased productivity and profitability. The continued recovery in the US is essential to maintaining its outperformance, however.

#### **Technology Investment Trust Warrants (7.36%)**

The technology sector has experienced a sharp bounce from its September lows, but we are concerned valuations are now discounting too much growth, too soon. With chequered results emanating from the TMT sector, and debts levels and delays in new technology roll-outs weighing heavily on telecoms, we intend to limit our exposure to technology in the short-term before reliable signs of an upswing in this cyclical sector materialise.

#### **Special Situations (5.98%)**

During the period we chose to exercise the warrants of LeggMason Investors Enterprise Trust, rather than let the warrants lapse, in an attempt to recover a greater portion of our initial investment. This has left us with a small holding in the trust's shares which we intend to hold until we determine that sufficient value can be retrieved.

We are also currently maintaining our holding in the shares of technology incubator NewMedia SPARK. The share price still barely covers the cash held within the company, before even accounting for the value of its investment portfolio. We expect to exit this investment once the City recognises the value held within the company. We have a small holding in the warrants of Jupiter Global Green Investment Trust. As the title suggests, the trust invests in companies which provide environmental solutions and companies which operate environmental best practice. Due to the trust's inability to invest in oil or tobacco companies, it failed to take full advantage of the bounce in equity prices. We are confident, however, the trust will perform well over the long-term and we intend to increase our weighting in the trust's warrants during the period should the opportunity arise.

#### **UK Equity Warrants (5.69%)**

During the period the opportunity to increase our holding in Luminar warrants arose. We were able to acquire a significant number of these normally illiquid warrants, enabling us to build a sizeable stake which we can now hold for the long-term. These warrants are long-dated and trade on a relatively attractive rating. The underlying company continues to perform very well and many analysts following Luminar are currently recommending the company's shares to their clients. The warrants of independent record label and management company, Sanctuary Group, continue to offer good value. We took the opportunity of a setback in the shares and warrants to rebuild our stake following a well timed sale in June. The company continues to appear undervalued on a fundamental basis and we expect the warrants to perform well over the remainder of their life.

### **Covered Warrants (1.34%)**

The Fund's exposure to covered warrants has remained low as we continued to find it difficult to identify stocks which offered both the best potential upside and low levels of volatility which would allow an issue of covered warrants to be considered.

The development of the covered warrants market in the UK has continued, albeit at a delayed pace. The plan for a first quarter launch has slipped due to some significant problems, including regulatory and technological issues at the FSA and the London Stock Exchange. The problems the FSA must resolve in drafting the regulations for the proposed new market include the position of warrant funds. At present, warrant funds such as the McHattie Warrants Alert Fund are generally unable to invest in cash settled covered warrants. The vast majority of covered warrants issued in developed markets across Europe and Australia are cash settled, and this is expected to be the case in the UK when the market is finally launched. We are therefore lobbying the FSA to alter the current rules to allow cash settled warrants to be held by warrant funds in time for the launch of the new covered warrants market in the UK.

### **Japanese Investment Trust Warrants (0.72%)**

Unitholders will see we have reduced our exposure to Japanese investment trust warrants markedly during the period. This included the sale of our entire holding in Baillie Gifford Shin Nippon Trust 2005 warrants, and the majority of our holdings in both Invesco Tokyo Trust warrants and Schroder Japan Growth Trust warrants. The rally in the Japanese market, we believe, was simply a good opportunity to move out of a sector which now offers little value to warrant investors. The technical positions of Japanese investment trust warrants remain very unattractive, and the short-term outlook for Japanese equities remains clouded. We continue to prefer emerging markets where the warrants offer better value and the underlying markets appear to have greater upside potential.

### **Venture Capital Investment Trust Warrants (0.00%)**

As the final exercise date of the Pantheon International Participation warrants approached in October, an opportunity arose for us to dispose of our entire holding. This proved to be much more satisfactory than exercising the warrants, which would have tied up a significant portion of the Fund's assets in the shares and participating loan notes of the trust.

### **Cash (8.49%)**

The cash level has fallen during the period, but remains relatively high due to profit taking, and our concerns the market may continue to consolidate from current levels, before entering the next stage of the recovery in equity prices. We shall look for opportunities to invest in the sectors we expect to do well over the coming period and beyond, and to reduce the cash level further as the outlook brightens.

The geared nature of the Fund's portfolio has meant unitholders have experienced a sharp bounce in the value of their units from the very depressed levels reached last year. While we expect a pause in the recovery in equities in the short-term, the global economic recovery appears to be progressing, albeit at a slower rate than was originally forecast – or hoped. The steady improvement in trading conditions should provide for a sustained recovery in equity prices, which could begin in the latter half of the year. We remain confident the Fund should continue to outperform in those conditions.

**McHattie Investment Management Limited**  
**Manager**  
**23<sup>rd</sup> April 2002**

## Total Return and Movements in Unitholders' Funds for the Half Year Ended 31st March 2002

	31st March 2002 £	31st March 2001 £
<b>Total Return</b>		
Net gains/(losses) on investments (note 2)	696,074	(1,456,058)
Gross income (note 3)	3,359	6,740
Expenses (note 4)	<u>(23,774)</u>	<u>(31,197)</u>
Net deficit	<u>(20,415)</u>	<u>(24,457)</u>
<b>Total return for the half year</b>	675,659	(1,480,515)
Distributions	-	-
<b>Net increase/(decrease) in unitholders' funds from investment activities</b>	<u>675,659</u>	<u>(1,480,515)</u>
<b>Movements in Unitholders' Funds</b>		
<b>Net assets at the start of the half year</b>	1,659,043	3,740,865
Amounts received on creation of units	104,202	290,939
Amounts paid on cancellation of units	<u>(8,612)</u>	<u>(41,874)</u>
	95,590	249,065
Stamp duty reserve tax (note 1(h))	(61)	(419)
Net increase/(decrease) in unitholders' funds from investment activities	675,659	(1,480,515)
<b>Net assets at the end of the half year</b>	<u>2,430,231</u>	<u>2,508,996</u>

## Portfolio of Investments and Net Current Assets as at 31st March 2002

Holding	Portfolio of Investments	Value £	Total Net Assets	
			31.03.02 %	30.09.01 %
	<b>Equity Warrants</b>			
49,000	Luminar	70,688	2.91	
187,500	Sanctuary Group	67,500	2.78	
		<u>138,188</u>	<u>5.69</u>	4.10
	<b>Investment Trust Warrants and Capital Shares</b>			
352,500	Aberdeen Asian Smaller Companies	179,775	7.40	
20,000	Aberforth Smaller Companies	53,500	2.20	
105,000	Baring Emerging Europe	119,333	4.91	
175,000	Deutsche Latin American	28,875	1.19	
25,000	Discovery	6,625	0.27	
28,000	Eaglet	70,700	2.91	
50,000	Edinburgh Small Companies	14,750	0.61	
281,000	F&C Latin American	190,235	7.83	
39,400	Fidelity Special Values	78,111	3.21	
605,000	Fleming Asian	107,387	4.42	
150,000	Foreign & Colonial US Smaller Companies	228,750	9.41	
118,000	Gartmore European 2000/04	187,030	7.70	
34,700	Herald	63,154	2.60	
20,000	Invesco Tokyo	850	0.03	
290,000	Jupiter Global Green	53,650	2.21	
40,000	Legal & General UK Select	19,000	0.78	
10,000	Martin Currie Japan 2005	2,350	0.10	
70,000	Merrill Lynch European	46,900	1.93	
250,000	Murray Japan Growth & Income	6,250	0.26	
225,000	Perpetual Income & Growth	127,688	5.25	
127,200	Polar Capital Technology	115,752	4.76	
450,000	Schroder AsiaPacific	54,000	2.22	
175,000	Schroder Emerging Countries	12,688	0.52	
40,000	Schoder Income Growth	25,400	1.05	
100,000	Schroder Japan Growth	8,000	0.33	
75,000	Schroder UK Growth	4,125	0.17	
715,000	Templeton Emerging Markets	117,975	4.85	
175,500	TR European Growth	38,610	1.59	
		<u>1,961,463</u>	<u>80.71</u>	82.09
	<b>Covered Warrants</b>			
6,300	Commerzbank Lafarge 08/02 100.225 Call	30,391	1.25	
15,690	Commerzbank Philips 04/02 47.69 Call	2,110	0.09	
		<u>32,501</u>	<u>1.34</u>	1.73
	<b>Ordinary Shares</b>			
270,000	NewMedia SPARK	27,000	1.11	
49,000	LeggMason Investors Enterprise	64,680	2.66	
		<u>91,680</u>	<u>3.77</u>	1.86
	Total value of investments	2,223,832	91.51	89.78
	Net current assets	206,399	8.49	10.22
	Total value of the Fund as at 31st March 2001	<u>2,430,231</u>	<u>100.00</u>	100.00

The investments have been valued in accordance with note 1(e) and are warrants to subscribe for ordinary shares unless otherwise stated.

## Balance Sheet as at 31st March 2002

	31st March 2002 £	30th September 2001 £
<b>Portfolio of investments</b>	2,223,832	1,489,455
<b>Net current assets</b>		
Debtors (note 5)	13,377	-
Bank balances	<u>198,032</u>	<u>176,340</u>
	211,409	176,340
Less:		
Creditors (note 6)	<u>5,010</u>	<u>6,752</u>
<b>Net current assets</b>	206,399	169,588
<b>Net assets</b>	<u>2,430,231</u>	<u>1,659,043</u>
<b>Unitholders' funds</b>	<u>2,430,231</u>	<u>1,659,043</u>

## Portfolio Changes for the Half Year Ended 31st March 2002

	<b>Cost £</b>
<b>Purchases (warrants unless otherwise stated)</b>	
Fleming Asian	13,696
Legal & General UK Select	20,952
LeggMason Investors Enterprise (Ordinary Shares, exercise of warrants)	66,150
Luminar	58,916
Merrill Lynch European	42,835
Polar Capital Technology	20,146
Sanctuary Group	19,974
Schroder Income Growth Fund	18,938
Schroder UK Growth	11,337
	<hr/>
Total purchases for the half year	272,944
	<hr/>
<b>Sales</b>	
	<b>£</b>
Baillie Gifford Shin Nippon 2005	32,104
Baring Emerging Europe	31,395
Edinburgh Small Companies	4,369
Exane Vodafone 3/02 278.25 Call	1,283
Foreign & Colonial US Smaller Companies	36,325
Framlington NetNet (Ordinary Shares)	640
Invesco Tokyo	5,594
Pantheon International Participations	77,888
Schroder Japan Growth	8,219
TR Property	37,163
	<hr/>
Total sales for the half year	234,980
	<hr/>

## Notes to the Financial Statements as at 31st March 2002

### 1. Accounting Policies

#### a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice (SORP) for Authorised Unit Trust Schemes issued in January 1997 and the Financial Services Authority Collective Investment Scheme Sourcebook published in November 2001.

#### b) Recognition of Income

The Fund mainly invests in warrants and capital shares which do not pay dividends, but where applicable, dividends on investments marked ex-dividend up to the accounting date are included in income net of attributable tax credits. Bank and other interest receivable is accrued up to the accounting date.

#### c) Treatment of management expenses

The Manager's periodic charge is deducted from Income.

#### d) Distribution policy

The Fund invests in warrants and capital shares which do not pay dividends, and it is therefore unlikely that a surplus of income will arise. In the event of there being a surplus of income this will be allocated in accordance with the Regulations.

#### e) Basis of valuation of investments

The investments of the Fund have been valued at the closing mid-market prices ruling on the principal markets on which the stocks are quoted, on the last business day of the accounting period.

#### f) Exchange rates

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the closing middle exchange rates ruling on that date.

#### g) Taxation/deferred tax

(i) Corporation Tax is provided for at 20% on income, other than UK dividends, after deduction of expenses.

(ii) Deferred tax is accounted for and provided in full on all timing differences.

#### h) Stamp duty reserve tax

Stamp duty reserve tax (SDRT) suffered on surrender of units has been charged against the capital assets of the Fund.

#### i) Financial instruments

The Fund's financial instruments comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for liquidations, and debtors for accrued income.

The Fund has little exposure to credit or cash flow risk. There are no net borrowings or unlisted securities and so little exposure to liquidity risk. The main risks arising from financial instruments are (i) foreign currency risk, being the risk that the value of investments will fluctuate as a result of exchange rate movements; (ii) interest rate risk, being the risk that the value of investments will fluctuate as a result of interest rate changes; (iii) market price risk, being the risk that the value of investment holdings will fluctuate as a result of changes in market prices caused by factors other than currency or interest rate movement; and (iv) counterparty risk, being the risk that the counterparty will not deliver the investments for a purchase, or the cash for a sale after the Fund has fulfilled its responsibilities.



## 7. Related Party Transactions

Amounts payable to the Manager or associates of the Manager are shown in note 4, and details of units created and cancelled by the Manager are shown in the Statement of Movements in Unitholders' Funds.

Amounts payable to the Trustee or associates of the Trustee are shown in note 4.

Any amounts due to or from the Manager or associates of the Manager, and the Trustee or associates of the Trustee are included in either prepaid expenses or accrued expenses (notes 5 and 6 respectively).

## 8. Contingent Liabilities and Outstanding Commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date.

## 9. Financial Instruments

The analysis and tables below refer to the narrative disclosure in note 1(i)

	31st March 2002	30th September 2001
	£	£
(i) Currency exposures		
Currency:		
Euros	32,501	27,905
US dollars	309,568	153,810
	<u>342,069</u>	<u>181,715</u>
Pounds sterling	2,088,162	1,477,328
Net assets	<u>2,430,231</u>	<u>1,659,043</u>
(ii) Interest rate risk profile of financial assets and liabilities		
Floating rate assets		
Pounds sterling	198,032	176,340
Assets on which interest is not paid:		
Euros	32,501	27,905
US dollars	309,568	153,810
Pounds sterling	1,895,140	1,307,740
	<u>2,237,209</u>	<u>1,489,455</u>
Liabilities on which interest is not paid:		
Pounds sterling	(5,010)	(6,752)
Net assets	<u>2,430,231</u>	<u>1,659,043</u>

There are no material amounts of non-interest bearing financial assets and liabilities other than equities, which do not have maturity dates.

The floating rate assets comprise sterling denominated bank balances that bear interest at rates linked to the base rate.

## Directors' Statement

This report is signed in accordance with the requirements of the Financial Services Authority's Collective Investment Schemes Sourcebook.

Signed:



A R McHattie - Director



B D Cooper - Director

**McHattie Investment Management Limited**  
**Manager of McHattie Warrants Alert Fund**  
**24th May 2002**

## General Information

### Valuation of the Fund

The Fund is valued at 11:00am on each business day for the purpose of determining prices at which units in the Fund may be bought or sold. Valuations may be made at other times with the Trustee's approval. No maximum buying/selling price spread is stipulated in the Trust Deed and the Manager's discretion to set buying and selling prices is subject to relevant Regulations under the Financial Services and Markets Act 2000.

### Buying and Selling of Units

The Manager will accept orders to buy or sell units on normal business days between 9.30am and 5.00pm and transactions will be effected at prices determined by the next valuation. Instructions to buy or sell units may be either in writing to: McHattie Investment Management Limited, 88 Borough High Street, London SE1 1ST or by telephone on 0845 922 0044. A contract note will be issued by close of business on the next business day after the dealing date to confirm the transaction.

### Prices

The most recent buying and selling prices of units are published in the *Financial Times* in the FT Managed Funds Service Authorised Investment Funds section, under the heading McHattie Investment Management Limited. The associated cancellation price is available on request from the Manager.

### Other Information

The Trust Deed, Scheme Particulars, Financial Statements, Key Features Document and the latest annual and interim reports may be inspected by unitholders at the offices of the Manager, the Administrator and of the Trustee and copies may be obtained on application to the Manager. The Register of Unitholders can be inspected by unitholders during normal business hours at the office of the Registrar, Capita Financial Administrators Limited, 88 Borough High Street, London SE1 1ST. Holders who have any complaints about the operation of the Fund, should contact the Manager or the Trustee in the first instance. In the event that a unitholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR.

## McHattie Warrants Alert Fund Top-Up Application Form - with a 2% discount for lump sums

Please note that this form is for use by existing unitholders in the McHattie Warrants Alert Fund only, and is for the purpose of making additional investments. Prospective new investors must not use this form, but instead apply to the address below or telephone 0117 925 8882 for a Prospectus containing the Key Features and an application form.

### Step 1 - Investor Details

Name:	.....
Address:	..... ..... .....
	Postcode:.....
Account Number:	.....

### Step 2 - Top-Up Details

Additional Lump Sum Investment	Increased Monthly Investment
Amount £ ..... (min £500)	Revised Direct Debit Amount £ .....

### Step 3 - Signature(s) and Date

I/We wish to increase my/our investment in the McHattie Warrants Alert Fund subject to the information and Key Features contained in the current Prospectus.

Signature ..... Date .....

(Joint Holder - in the case of joint holders all participants are required to sign)

Signature ..... Date .....

### Step 4 - Send This Form

In the case of a lump sum, please make cheques payable to 'McHattie Investment Management Limited'. Please return this form to McHattie Investment Management Limited, 88 Borough High Street, London, SE1 1ST.

Please note. The 2% discount applies only to lump sum investments, using this original form (photocopies will not be accepted), by current unit holders. No other discounts or commissions apply when using this form. Offer valid until 30th September 2002.

## MANAGER

McHattie Investment Management Limited  
Clifton Heights  
Triangle West  
Clifton  
Bristol BS8 1EJ  
(Authorised by the FSA)

Telephone: 0117 925 8882  
Fax: 0117 925 4441  
e-mail: enquiries@mchattie.co.uk

## Directors

Chairman: Andrew Robert McHattie  
Chief Executive: Benjamin Douglas Cooper  
Director & Company Secretary: John Harvey McHattie

## ADMINISTRATION OFFICE, REGISTRARS, AND ORDER DESK

Capita Financial Administrators Limited  
88 Borough High Street  
London SE1 1ST  
(Authorised by the FSA)

Telephone: 020 7556 8800  
Dealing: 0845 922 0044  
e-mail: enquiries@capitafinancial.co.uk

## TRUSTEE

Bank of New York Trust and Depository Company Limited  
One Canada Square  
London E14 5AL  
(Authorised by the FSA)

## AUDITORS

AGN Shipleys  
Chartered Accountants  
10 Orange Street  
Haymarket  
London WC2H 7DQ



**McHattie Investment Management Limited**  
Authorised by the FSA