

**This document is important and requires your immediate attention.**

**If you are in any doubt as to the action you should take you should consult an authorised financial adviser immediately.**

McHattie Investment Management Limited  
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13th January 2010

Dear Unitholder

### **McHattie Warrants Alert Fund - Winding up**

We are writing to you as Manager of the McHattie Warrants Alert Fund (which we refer to in this letter as the "**Fund**"). The purpose of this letter is to inform you that, in the interests of all unitholders, we have decided to proceed with the winding up of the Fund. The Financial Services Authority (the "**FSA**") which regulates the Fund, has approved our formal application to proceed with the winding up.

### **Why are we closing the Fund?**

As you know, the Fund was launched on 31 August 1999 with the aim of providing investors with capital growth over the medium to long term by investing in a range of investment trust warrants, UK equity warrants, covered warrants, warrants of offshore closed end funds and warrants listed on the London Stock Exchange, as well as other worldwide securities and derivatives markets, shares in investment trusts and securitised derivatives.

We have monitored the overall investment in the Fund and have concluded that it is below the minimum sustainable level. Currently the Fund has assets of approximately **£1.24 million**, however we believe that continuing to operate the Fund at this level would not be economically viable as the Fund is too small to be managed efficiently and profitably.

We have discussed the situation with the Fund's Trustee, BNY Mellon Trust & Depositary (UK) Limited, who is responsible for ensuring that the Fund is operated in accordance with the FSA's rules and its constitutional documents. Having considered all relevant factors, we are of the opinion that it would be in the best interests of the Fund's investors if we were to proceed to wind up the Fund.

### **What does this mean for you?**

As the FSA has approved our proposals it is anticipated that dealing in units the Fund will be suspended from **22 February 2010**. Dealing in units may be suspended earlier if the Manager in conjunction with the Trustee so decide, for example in the event of a large number of redemption requests.

Any dealing instructions (subscriptions, switches, redemptions) received after this time will not be accepted and the Trustee will commence proceedings to wind up the Fund on this date. This means that the property held by the Fund will be liquidated and any costs such as tax will be paid. The net proceeds will subsequently be distributed to investors as soon as possible

following commencement of the winding up of the Scheme. Any additional winding up costs have been immediately accrued for and will be met out of the scheme property of the Fund.

### **What action should you take?**

We are writing to all unitholders to suggest that you may now wish to consider your options with regard to your units in the Fund prior to commencement of winding up. Please note that there may be fluctuations in the price of units from this date forward as unitholders exercise their redemption rights and the Fund's size reduces. If you are in any doubt about the action you should take you should consult an authorised financial adviser.

Your options are as follows:

- (1) you may redeem your units; or
- (2) you may remain in the Fund in which case you will receive your net proceeds of the wound up Fund in proportion to your units.

Please note that if you remain invested in the Fund you will experience a delay in receiving your payment once the winding up process has commenced.

Once the winding up of the Fund has been completed, final accounts will be produced and audited and will be circulated to all investors in accordance with the relevant FSA rules.

If you made a lump sum investment in the Fund in the previous 12 months we will refund you the initial charge which was applied to your investment.

In order to claim your refund (if you are eligible) or to redeem your units in the Fund please contact Capita Financial Administrators Limited by telephoning 0845 922 0044, or alternatively write to McHattie Investment Management Ltd at Capita Financial Administrators Ltd, 2 The Boulevard, City West One Office Park, Gelderd Road, Leeds LS12 6NT.

### **What are the tax implications?**

The closure of the Fund may result in a capital gains tax liability depending on your individual circumstances. Also, if you invested in the Fund via an ISA the winding up of the Fund may adversely affect the status of your ISA.

We therefore recommend that you seek specialist advice from your financial or tax adviser as to the full tax implications.

### **Further Information**

If you have any questions about the winding up of the Fund or require any further information please contact the Manager as set out above.

Yours sincerely



Andrew McHattie, Chairman

**For and on behalf of McHattie Investment Management Limited**

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