

08 October 2013

Dear investor

FINAL REMINDER FOR THE CF ARCH CRU PAYMENT SCHEME

THIS LETTER IS IMPORTANT – PLEASE READ IT CAREFULLY

DEADLINE FOR APPLYING TO THE PAYMENT SCHEME IS 31 DECEMBER 2013

- **Investors in the CF Arch cru Investment and Diversified funds have until 31 December 2013 to apply to the payment scheme and accept the offer of payment made to them if they have not already done so.**
- **If you have decided to make a claim, the sooner you complete and return your application under the Payment Scheme the sooner you will receive a payment.**

As we have mentioned in our previous communications a £54m package for investors in the CF Arch cru Investment Funds and CF Arch cru Diversified Funds (the “Arch Funds”) is being funded voluntarily by Capita Financial Managers Limited (CFM), the authorised corporate director of the Funds; BNY Mellon Trust & Depositary (UK) Limited, the depositary to the CF Arch cru Investment Funds; and HSBC Bank plc, the depositary to the CF Arch cru Diversified Funds.

This package is known as the 'Payment Scheme' and was announced by the Financial Services Authority (FSA) on 21 June 2011. With effect from 1 April 2013 the FSA was replaced by the Financial Conduct Authority (FCA).

Investors in the Arch Funds who are eligible for the Payment Scheme were sent an offer and an application pack on 28 October 2011.

Further information for Nominees and Linked Product Providers is set out in the Appendix to this letter.

Deadline to accept an offer

We wrote to all investors in the Arch Funds on 29 October 2012 to advise that the deadline for applications to the Payment Scheme had been extended by 12 months to 31 December 2013. This extension was agreed with the FSA and the Depositaries.

This is the final reminder letter and as such CFM will not issue any further reminders to those eligible investors who have not accepted their offer of payment under the Payment Scheme or responded to the Application Pack.

How to accept an offer

If you want to accept an offer under the Payment Scheme you must complete the application form that was included in the application pack and return it to CFM by **31 December 2013**.

If you need another copy of your application pack you should contact CFM using the details at the end of this letter.

Applications submitted after 31 December 2013 will only be accepted in exceptional circumstances. No applications at all will be accepted after 31 December 2014.

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.

All other terms on which an offer was made under the Payment Scheme remain the same as those set out in the application pack.

You can get further information about the Payment Scheme, including copies of letters to investors and answers to some frequently asked questions on the CFM website at www.capitafinancial.com. To find this enter the 'Investor Services' section, go to 'Investor Communications' and click on 'CF Arch cru Payment Scheme'.

When you will receive payment

CFM will make payments within six weeks of the receipt of your correctly completed application.

Therefore, if you have decided to make a claim, the sooner CFM receives your application the sooner you will receive a payment.

Estimated total return to investors

The net asset value and share price information for the Arch Funds, up to and including 30 June 2013 can be seen on the CFM website at www.capitafinancial.com. To find this enter the 'Investor Services' section, go to 'Investor Communications' and click on 'CF Arch cru fund suspensions' then 'Publication of funds' net asset values'.

When the net asset value of the funds as at 30 June 2013 is combined with the interim capital distributions already made, it is estimated that the total return to investors will be an average of 61% of the value of the funds as at 13 March 2009, being the date when dealings in the funds were suspended.

This figure will continue to change based on the value of the remaining assets held by the Arch Funds.

The CFM website also includes further information on how the estimated return to investors is calculated. This explanatory note was based on the net asset values as at 30 September 2011.

The table below compares the estimated return for each of the funds based on the net asset values as at 30 September 2011 with the position based on the net asset values at 30 June 2013.

| Fund | Estimated total return based on net asset value at 30 September 2011 | Estimated total return based on net asset value at 30 June 2013 | Movement since 30 September 2011 |
|----------------------|---|--|---|
| Investment Portfolio | 64% | 58% | -6% |
| Specialist Portfolio | 73% | 68% | -5% |
| Balanced Fund | 70% | 65% | -5% |
| Global Growth Fund | 79% | 74% | -5% |
| Income Fund | 68% | 66% | -2% |
| Finance Fund | 69% | 64% | -5% |
| Total | 66% | 61% | -5% |

NB: Total estimated return figures are rounded to the nearest whole per cent. The returns stated above are after the seventh capital distribution paid on or around 21 December 2012.

As has been the case in previous communications we would like to take this opportunity to update investors on other matters that relate to the CF Arch cru Investment and Diversified funds.

Distributions

Since the commencement of the orderly realisation of the funds in February 2010, £105.93m has been returned to investors.

It is intended that further distribution payments will be made as and when suitable amounts of cash have been raised from the assets of the Fund. The exact timing and amount of these distributions is dependent upon assets being realised within the Guernsey incorporated cell companies in which the Arch Funds are invested (the "Guernsey Cells") and the proceeds being returned to the Arch Funds. We will continue to provide investors with as much information as we can in relation to this and other developments affecting the Arch Funds.

Summary of claims by Guernsey Cells

We have previously informed investors, most recently in our letter dated 25 June 2013, that we were aware that the directors of the Guernsey Cells had filed a claim in the English courts in December 2011, seeking approximately £150m in damages. This claim was against Arch Financial Products LLP (Arch) in relation to its former role as the investment manager of the Guernsey Cells.

We are unable to provide any further update at this point. If any money is recovered through these claims or through the process of mediation, this would increase the value of the Guernsey Cells and, in turn, the value of the Arch Funds. This value would be returned to investors in the Arch Funds through the orderly realisation process.

However, there is no certainty at this stage as to whether either the Courts or the mediation process will lead to recoveries that will benefit the Guernsey Cells and hence the Arch Funds. We will keep you informed of material developments.

Financial Services Compensation Scheme (FSCS)

The FSCS announced on 3 April 2012 that it had decided how it would compensate investors with eligible claims against IFAs that are no longer trading in relation to the Arch Funds.

The detailed announcement can be found on the FSCS website at www.fscs.org.uk.

Consumer redress scheme

As previously advised the FCA has put in place a consumer redress scheme in relation to investments in the Arch Funds. Firms that advised customers to invest in the Arch Funds have been required to contact those investors to find out whether they want their investment reviewed.

The reviews are required to look at whether investors were mis-sold the funds and therefore are entitled to compensation. Where compensation is due it will return the investor to the position they would have been in had they received suitable advice.

The consumer redress scheme complements, but is completely separate from the Payment Scheme.

Year End audited report and accounts for the funds as at 31 March 2013

Our letter of 25 June 2013 advised that we were working with the various parties involved to ensure that the report and accounts for the financial year ended 31 March 2013 were completed as soon as possible. We can now advise that all reports have now been finalised. The short reports, and the long report and accounts have now been published on the CFM website, www.capitafinancial.com.

Individual Investor Statements

We advised in our letter dated 25 June 2013 that we expected to send individual investor statements, covering the period 1 September 2012 to 31 March 2013, to all investors in the Arch Funds in July 2013.

We can now confirm that these individual investor statements were sent to all investors in the Funds on 24 July 2013.

In order to ensure that investors are provided with the most up to date information in relation to their holding, it is our intention that the next individual investor statements will cover the period 1 April 2013 to 30 September 2013. We currently expect to send these to all investors in the Funds in December 2013 although this is dependent on the timely publication by the Guernsey Cells of their net asset values as at 30 September 2013.

Hardship arrangements

CFM established a hardship scheme in December 2009 to enable investors in the funds that can demonstrate a genuine financial hardship that means there is a pressing need to have some or all of their investment returned to them. The hardship scheme remains open.

Details of the eligibility criteria for making a claim under the hardship scheme, the process for making a claim and how any claims will be handled are set out in a factsheet which can be found on the CFM website at www.capitafinancial.com.

Applications to the hardship scheme will not affect your rights to participate in the Payment Scheme or any other consumer redress scheme that the FCA may establish.

Further information

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

Appendix

Nominees and Linked Product Providers

Nominees, Linked Product Providers and other similar institutional investors should have received an application pack from CFM. They now need to consider, if they have not already done so, whether they need to obtain instructions (and if so, obtain such instructions) from their clients in time to allow applications to the Payment Scheme to be made on their behalf by 31 December 2013.

Further information for Nominees and Linked Product Providers was set out in our letters dated 31 August 2011 and 28 October 2011.

On 29 October 2012 we updated the pro forma letter for Nominees and Linked Product Providers to adapt for the purposes of sending information about the Payment Scheme to their clients if they have not already done so. This pro forma letter remains available on the CFM website at www.capitafinancial.com. To find this enter the 'Investor Services' section, go to 'Investor Communications' and click on 'CF Arch cru Payment Scheme'.

This letter should not be used where Nominees and Linked Product Providers have already provided their client(s) with details about the Payment Scheme (including their offer under the Payment Scheme).

Nominees and Linked Product Providers, who have already written to their clients and have not received any response accepting or rejecting their offer under the Payment Scheme, may wish to consider contacting their clients again and reminding them of the 31 December 2013 deadline for CFM to receive applications.

To help with this, we drafted a pro forma letter in October 2012 for this purpose which remains available on the CFM website at www.capitafinancial.com. To find this enter the 'Investor Services' section, go to 'Investor Communications' and click on 'CF Arch cru Payment Scheme'.