

Marlborough ETF Commodity Fund

A sub-fund of the Marlborough ETF OEIC

Aims and Objectives

While aiming to achieve capital growth from a portfolio of commodity funds the fund also aims to provide a diversification tool for investors in commodities or commodity related businesses. The managers will aim to target those areas of the commodity market that offer the best potential on the basis of likely demand. While it will give investors access to the shares of companies involved in commodity based businesses, such as mining, it will also give them direct exposure to the movement in price of the commodities themselves, such as gold. Historically, over the longer term, commodity prices have evidenced very little correlation to equity prices and it is this feature that the managers aim to use to reduce the fund's correlation to equity markets generally.

Investment Policy

Investments will be made primarily through commodity based exchange traded funds (ETFs) trading on global stock exchanges. The asset classes in which the fund is permitted to invest includes units and shares in collective investment schemes, transferable securities, money market instruments and deposits as permitted for non-UCITS retail schemes under COLL. The fund may invest in derivative instruments and forward transactions for limited purposes.

What are ETFs?

ETFs are 'tracker' funds that replicate the movements of a particular index, such as the CRB (an index representing a basket of commodities). In addition to ETFs mirroring indices, the investment process employed by the fund managers will also use ETFs that reflect individual commodity prices.

ETFs have significant features that attract the managers to these vehicles:

- They trade on an exchange so can be traded in real time when that exchange is open, rather than at fixed points during the day.
- They have low management fees when compared to their non-exchange traded equivalents (source: Morgan Stanley Fitzrovia 2006).
- They have low tracking error.
- The managers are able to deal in them at very competitive rates, making active asset allocation more attractive. There is no initial charge or stamp duty to pay.
- There are over 300 listed worldwide with a value in excess of \$300 billion.
- They are issued by large investment banks such as Barclays Global Investors and Goldman Sachs.
- The components that make up an ETF are known at all times, which is crucial to the investment process.

The investment management process explained

A price, for any good or service, is dictated by demand. If a large number of people want to buy a little of something the price will generally rise and if a large number of people sell a little of something the price will fall.

This statement is true for many traded instruments but is particularly relevant to commodities. Unlike shares, commodities are used in the real world to make things. If the markets see a shift in demand, prices will move accordingly and can sometimes be quite volatile. This is because there is often a delay between the supply reacting to that change in demand. Price trends are often quite long

as a result and the shares of commodity related businesses are often highly geared into these movements.

The iFunds investment processes, using software developed by its managers over many years, aim to tilt the portfolio weightings towards where the strongest areas of demand are in the market, be it metals, energy, agricultural or shares of commodity related businesses.

About iFunds

Founded in 2002 by fund management industry professionals with over 40 years experience between them, iFunds is a trading name of Raymond James Investment Services (RJIS). RJIS is one of the largest financial services firms in the United States, managing some \$20 billion of assets. It commenced operations in the UK in 2001, is a member of the London Stock Exchange, is authorised and regulated by the Financial Services Authority and its registered office is at 77 Cornhill, London EC3V 3QQ.

Summary

- The fund is one that focuses on giving investors exposure to a diversified portfolio of commodity funds.
- The fund aims to provide a diversification tool by reducing its correlation with equity markets generally.

The past is not necessarily a guide to future performance. Investments and the income derived from them can fall as well as rise and the investor may not get back the amount originally invested. The fund is subject to an initial charge and consequently charges are not made uniformly throughout the period of the investment. Changes in exchange rates between currencies may cause the value of investments to diminish or increase. This document is provided for information purposes only and should not be interpreted as investment advice. If you have any doubts as to the suitability of an investment, please consult us.