



## AHL Diversified Futures Fund (S198)

Friends Provident International Limited has created a mirror fund of AHL Diversified Futures Limited ("the Company") which has been incorporated in Bermuda as an open-ended investment company with limited liability. The Directors of the Company have issued a Prospectus dated 11 May 1998 ("the Prospectus") which gives details of the Company. We have set out below some of the important information but this is only indicative and does not give a full picture.

The directors of the Company insist that before anyone can purchase shares in the Company he or she must certify that he or she has read the Prospectus in full. We strongly recommend that you read the Prospectus and familiarise yourself with the nature of the Company before you select units in the AHL Diversified Futures mirror fund. You can obtain a copy of the Prospectus from the Company c/o Hemisphere Management Limited, Hemisphere House, 9 Church Street, Hamilton HM11, Bermuda or the Company's representative, HSBC Trustee (Hong Kong) Limited, Level 13, 1 Queens Road, Central, Hong Kong.

### THE COMPANY

The Company was incorporated on 11 September 1997 in Bermuda under the Companies Act 1981 of Bermuda. The Company has been classified as non-Bermudan resident for exchange control purposes. The Company has obtained an undertaking from the Minister of Finance in Bermuda that in the event of their being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital assets, gain or appreciation or any tax in the nature of estate duty or inheritance

tax, such tax shall not be applicable to the Company until 28 March 2016. The Prospectus is not intended for general distribution in the United Kingdom. The protections afforded by the United Kingdom regulatory system will not apply and no compensation will be available under the Investors Compensation Scheme.

### INVESTMENT OBJECTIVES AND POLICIES

The Company states that it seeks to achieve medium-term growth of capital with absolute risk adjusted returns through access to global derivatives and inter-bank currency markets. The Company will seek to achieve this objective by trading a diversified portfolio of Futures Contracts using the AHL investment programme. A full description of how the programme operates is contained in the Prospectus. The Company's assets may be deposited with other banks and may be invested in short term money-related instruments. Up to 10% of the Net Asset Value of the Company may be invested in other assets including other hedge funds.

### CHARGES

The Company engages a number of professionals to provide expert advice and administration including an investment manager, custodian, registrar, valuation agent and company directors. The fees paid to these experts amounts, in total, to 3.35% of the value of the Company. This charge is in addition to the charge of 1.2% per annum deducted by Friends Provident International Limited from the mirror fund.



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## RISK FACTORS

The directors of the Company have highlighted a number of risk factors which have been paraphrased below.

- The Investment Manager (Man Investment Products Limited) manages the risk in the Company's portfolio by seeking to ensure that the underlying risk is within predetermined levels as defined by the Investment Manager's trading strategy. Nevertheless investors should note that in the event of an exceptional decline in the value of the Company's assets to a level insufficient to sustain its normal diversified trading strategies, the Company may have to cease trading activities.
- Each investor must decide the amount to invest taking into consideration these risk factors. It should be borne in mind that the risk involved in this type of company is greater than normally associated with other types of investment. Investors should note that because the use of leverage may cause volatility, the value of the Company's shares may decline as well as appreciate and there can be no assurance that the Company will be able to achieve its overall investment objective. The Net Asset Value of the Company's shares may go down as well as up. Accordingly, an investment should be made only by those persons who could sustain a loss in their investment.
- The Company may make investments in markets which are volatile and can become illiquid making it impossible or expensive for the Company to liquidate positions against which the market is moving.
- Investors should carefully consider the Investment Objectives and Policies and Investment and Borrowing Restrictions of the Company as set out in the Prospectus.
- The trading of derivatives can lead to substantial losses as well as gains.
- There can be no assurance that the information on the Investment Manager set out in the Prospectus will be in any way indicative of how the Company will perform (either in terms of profitability or non-correlation with other investments) in the future.
- The performance of the Company will be affected by the charges relating to the investments of the Company. (The Company is liable to pay set up costs, investment management and incentive fees, custodian fees, registrar fees, valuation fees, brokerage fees and other fees and expenses. Full details are contained in the Prospectus.) The Company may be engaged in a high level of trading resulting in commensurately higher transaction costs.
- Net Asset Value of Shares in the Company can vary significantly within a short period of time.
- The investments in the Company must be made in US dollars. Shareholders dealing in a different local currency should be aware that exchange rate fluctuations could cause the value of the investments to diminish or increase. Additionally, the Company may have to finance non-US dollar margins but the Company may seek to mitigate foreign exchange risks involved in this financing by borrowing a matching non-US dollar amount in the relevant currency from the Broker, Man Financial Limited (or one of its affiliated companies).
- Futures will normally be entered into between the Company and Broker as principal (and not as agent). Accordingly, the Company is exposed to the risk that the Broker may, in an insolvency or similar event, be unable to meet its contractual obligations to the Company.
- Monies not immediately required for margin requirements are usually held in a bank account but the Investment Manager has total discretion to allocate monies to other managers subject to the sum allocated not being more than 10% of the Net Asset Value of the Company. Monies invested in this way will have a higher risk profile than a standard bank account and losses incurred could have a detrimental effect on the Company's investment strategies though the overall objective would be to enhance the overall potential performance profile of the Company.
- Monies not immediately required for margin purposes will continue to be held in a third party bank account in accordance with the Client Money Rules of the Financial Services Act. Monies held by a broker in a segregated account such as the margin monies of the Company held by the Broker (Man Financial Limited) may be subject to pooling (that is pro-rata allocation) in the event that there is liquidation of the Broker and there is an overall shortfall in amounts due from the Broker to its customers out of such customer segregated funds. Monies held in segregated client accounts will not however be available to the general creditors of the Broker.
- The difference at any one time between the price paid for a share in the Company and the price at which a share is redeemed means that investment in the Company should be viewed as medium-term. Investment in the Company may not be suitable for all investors.

**THE FRIENDS PROVIDENT  
INTERNATIONAL LIMITED  
AHL DIVERSIFIED FUTURES  
MIRROR FUND**

Friends Provident International Limited has created a mirror fund which is sub-divided into notional units. It is these units which are allocated to policies. Friends Provident International Limited will only hold two types of assets in the mirror fund - shares in the Company and cash. The performance of the mirror fund will be in line with movements in the share price of the Company but will not be identical. This is especially true whilst the mirror fund remains small because the cash element of the mirror fund is disproportionately large. Because Friends Provident International Limited can only purchase shares in the Company in tranches of at least \$10,000 it may be necessary for Friends Provident International Limited to hold money in the mirror fund until sufficient money has accumulated to purchase a further tranche.

The mirror fund will deal weekly on the Monday in each week (or the following working day). This is the day when Friends Provident International Limited will set the price of units in the mirror fund. To obtain the price on any given Monday you must have provided Friends Provident International Limited with your instructions and cleared funds before 3.00pm (Isle of Man time) on the preceding working day.

It is only possible to buy or sell shares in the Company on the Tuesday in each week. However it will take at least seven working days for the Company to process Friends Provident International Limited's request and to provide a price. Friends Provident International Limited can only set the price of the mirror fund once the transaction has been completed. Although this will not mean that policyholders are uninvested, it does mean that typically Friends Provident International Limited will not be able to quote a price for the mirror fund until 9 working days after each dealing day.

**DECLARATION**

Name of Policyholders/Applicants

  

Plan Number (if known)

To: Friends Provident International Limited

1. Please accept this as our instruction to buy units in the AHL Diversified Futures mirror fund to the value of  US\$  or  % of each premium and allocate those units to my/our policy numbered above

or

Please accept this as my/our instruction to sell  units in the  mirror fund which are currently held in my/our policy and use all of the proceeds of that sale to purchase units in the AHL Diversified Futures mirror fund.

2. I/we confirm that I/we have read and understood the information supplied by you about AHL Diversified Futures Limited and I/we understand the nature of the risks associated with that Company.
3. I/we understand that further details are included in the Prospectus issued by that Company and I/we understand that the directors of that Company recommend all potential investors to read the Prospectus before investing in the Company, whether directly or indirectly.
4. I/we confirm that I/we have discussed with my/our adviser whether it is appropriate to link part of the value of my/our policy to the AHL Diversified Futures mirror fund and how many units should be purchased.

Dated

Signed

Signed

*Fund prices may go down and up depending upon investment performance. Past performance is not necessarily a guide to the future. Please note that securities held within a fund may not be denominated in the currency of that fund and, as a result, fund prices may rise and fall purely on account of exchange rate fluctuations.*

*Some telephone communications with the Company are monitored and may be randomly monitored or intruded into. The rules and regulations made by the Financial Services Authority under the Financial Services and Markets Act 2000 for the protection of investors may not apply. Holders of policies issued by the Company will not be protected by the Financial Services Compensation Scheme if the Company should become unable to meet its liabilities to them. Policyholders will receive the protection of the Life Assurance (Compensation of Policyholders) Regulations 1991 of the Isle of Man.*

*Hong Kong resident Policyholders will be protected by the non-exclusive jurisdiction of the Hong Kong Courts.*

*Complaints we cannot settle can be referred to the Financial Services Ombudsman Scheme for the Isle of Man or the Financial Ombudsman Scheme in the UK, depending on the parties involved.*

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**FRIENDS PROVIDENT  
INTERNATIONAL**

*Friends Provident International Limited*

*Registered & Head Office: Royal Court, Castletown, Isle of Man, British Isles, IM9 1RA*

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*Incorporated company limited by shares. Registered in the Isle of Man No. 11494*

*Regulated by the Financial Services Authority for UK business. Provider of life assurance and investment products*

*The appointed representative of the Company in Hong Kong is Friends Provident International Limited's branch office:*

*Friends Provident International Limited*

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