

CCLA Fund Managers Limited

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE
ATTENTION

If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 to advise on investments of the type referred to in this document such as your professional adviser.

3 January 2024

PROPOSED SCHEME OF ARRANGEMENT FOR THE MERGER OF

Diversified Income Fund (the “Merging Fund”)

(a sub-fund of CCLA Authorised Contractual Scheme, an authorised contractual scheme formed as a co-ownership scheme under section 235A of the Financial Services and Markets Act 2000, authorised by the Financial Conduct Authority as a Non-UCITS retail scheme)

into

CCLA Better World Cautious Fund (the “Receiving Fund”)

(a sub-fund of CCLA Investment Funds ICVC, an umbrella investment company with variable capital incorporated in England and Wales, authorised by the Financial Conduct Authority as a UK UCITS scheme)

Please also read the Key Investor Information Document (KIID) which is enclosed with this pack.

The meeting will be held at the offices of CCLA Fund Managers Limited at One Angel Lane, London, EC4R 3AB on 31 January 2024 at 10:00 a.m.

You are requested to either complete and return the enclosed Form of Proxy (and the power(s) of attorney (if any) under which they it is signed) or a certified copy of it in the reply-paid envelope provided no later than 48 hours before the time of the meeting.

Glossary

“ACD”	CCLA Investment Management Limited, the authorised corporate director of the Receiving Fund;
“ACS Manager”	CCLA Fund Managers Limited, the authorised contractual scheme manager of the Merging Fund;
“ACS”	CCLA Authorised Contractual Scheme;
“COLL”	the Collective Investment Schemes Sourcebook;
“Company”	CCLA Investment Funds ICVC;
“Co-ownership Deed”	the co-ownership deed of the ACS;
“Depositary”	HSBC Bank Plc, the depositary of the Merging Fund and of the Receiving Fund;
“Effective Date”	the effective date of the Merger, being 3:01 p.m. on 16 February 2024, or such other date as may be agreed by the ACS Manager and the Depositary;
“FCA”	the Financial Conduct Authority or any successor regulatory body;
“FCA Rules”	the rules contained in the Collective Investment Schemes Sourcebook which forms part of the FCA Handbook of Rules and Guidance as amended or re-enacted from time to time;
“Instrument of Incorporation”	the Instrument of Incorporation of CCLA Investment Funds ICVC;
“KIID”	the Key Investor Information Document, a document providing information to investors about a fund prior to investment;
“Merger”	the merger of the Merging Fund with the Receiving Fund, in accordance with the Scheme;
“Merging Fund”	Diversified Income Fund, a sub-fund of CCLA Authorised Contractual Scheme;
“Merging Fund Value”	the value of the property of the Merging Fund calculated in accordance with the Co-ownership Deed as at 3 p.m. on the Effective Date;
“New Share”	a share of the appropriate type and class in the Receiving Fund to be issued to Shareholders under the Scheme;

“NURS”	Non-UCITS Retail Scheme;
“OEIC Regulations”	the Open-Ended Investment Companies Regulations 2001 (as amended);
“Receiving Fund”	CCLA Better World Cautious Fund, a sub-fund of CCLA Investment Funds ICVC;
“Regulations”	the FCA Rules and the OEIC Regulations;
“Retained Amount”	an amount which is calculated by the ACS Manager (after consultation with the Depositary and the auditor of the Merging Fund) to be necessary to meet the actual and contingent liabilities of the Merging Fund after its Merger, and which is to be retained by the Depositary (as the depositary of the Merging Fund) for the purpose of discharging those liabilities;
“Scheme”	the scheme of arrangement for the Merger which is set out in Part 3 of this document;
“Share”	a share of the appropriate class and type in the Receiving Fund;
“Shareholder”	a shareholder in the Receiving Fund;
“UK UCITS”	an undertaking for collective investment in transferable securities under the UK UCITS Rules;
“UK UCITS Rules”	COLL and the Collective Investment Schemes (Amendment etc) (EU Exit) Regulations 2019 SI No.325;
“Unit”	a unit of the appropriate class and type in the Merging Fund; and
“Unitholder”	a unitholder in the Merging Fund.

In addition, where relevant in the context, terms which are defined in the FCA Rules shall have the same meaning in this document.

All references in this document to times refer to UK time, unless specifically stated otherwise.

Expected key dates

In this section capitalised terms have the meaning set out in the Glossary

In this section, and throughout the document, references to times refer to UK time, unless specifically stated otherwise.

Event	Date
Qualification date for Unitholders	20 December 2023
Despatch documentation to Unitholders	3 January 2024
Forms of Proxy to be returned by	10:00 a.m. 29 January 2024
Meeting of Unitholders in the Merging Fund	10:00 a.m. 31 January 2024

Subject to approval of investors at the Extraordinary General Meeting (“EGM”) on 29 January 2024

Event	Date
Suspend dealings in Units of the Merging Fund	3:00 p.m. on 15 February 2024
End of accounting period of the Merging Fund	2:59 p.m. on 16 February 2024
Valuation used for the purpose of the Merger	3:00 p.m. on 16 February 2024
Effective Date and time of the Merger	3:01 p.m. 16 February 2024
Open for dealing in New Shares	9:00 a.m. on 19 February 2024

Part 1

Information for Unitholders

In this section capitalised terms have the meaning set out in the Glossary

Information to Unitholders in the Diversified Income Fund, a sub-fund of CCLA Authorised Contractual Scheme

We, CCLA Fund Managers Limited, the ACS Manager, are writing to you as a Unitholder in the Diversified Income Fund, the Merging Fund, to inform you of our proposal to merge it with the CCLA Better World Cautious Fund, the Receiving Fund, a new sub-fund of CCLA Investment Funds ICVC.

The proposed Merger requires the passing of an extraordinary resolution at a Meeting of Unitholders of the Merging Fund. We would encourage you to exercise your vote whether or not you are in favour of the changes.

The terms of the Merger together with details of the procedure by which the Merger will be effected in respect of the Merging Fund, the action you should take and the implications for you as a Unitholder are set out in this document.

Background

The Merging Fund is a multi-asset fund that invests globally. The Receiving Fund is a new fund which we will launch, provided the Merger is passed, on the Effective Date. It will also be a multi-asset fund that invests globally. As a result of the Merger, the assets held by the Receiving Fund on its launch will be substantially the same as the assets held in the Merging Fund prior to that date.

We propose to merge the Merging Fund into the Receiving Fund as the Receiving Fund is eligible for investment by a wider range of investors.

The Receiving Fund will have substantially the same investment strategy of the Merging Fund. However, whereas the Merging Fund avoids investment in certain companies which derive more than 10% of their revenue from the extraction of oil and gas, the Receiving Fund will go further than this as it will be managed in line with the ACD's approach to investing for a better world (CCLA's Better World Policy), further details of which are set out under the section "Proposal" below.

The operator of each fund is a CCLA group entity. The ACS Manager of the Merging Fund is CCLA Fund Managers Limited whereas the ACD of the Receiving Fund is CCLA Investment Management Limited. The Receiving Fund will have the same investment management team who will operate a consistent investment approach. Both the Merging Fund and Receiving Fund have ethical and responsible investment policies, however the Receiving Fund will be subject to an enhanced ethical investment policy, the CCLA Better World Policy. The CCLA Better World Policy contains additional and different exclusions and extends the scope of certain restrictions which the Diversified Income Fund is currently subject to.

If the Merger is approved, the Receiving Fund as noted above, may in-future benefit from investment by a wider range of investors. Accordingly, in the future, ongoing costs may be moderately lower, and reduce further, via the raising of further assets and consequent economies of scale.

Investors may also benefit from the fact that the Receiving Fund will operate swing pricing on the fund. This means that instead of applying a dilution levy to the price of buying or selling Units, the price of Shares is adjusted to take account of the dilution incurred (further detail of this is set out below and also in Part 2).

Investors should note that the Merging Fund is not subject to tax in the UK on its income or gains. However, the Receiving Fund is subject to UK corporation tax on its income other than on dividends received on which it is exempt from tax and it is also exempt from corporation tax on its gains. This corporation tax liability is expected to act as a drag on the performance relative to the Merging Fund; the size of the tax impact will be a function of the composition of the portfolio as well as depending on current market interest rates, and the amount of distributions from property funds it receives. Please see the section headed “Taxation of Authorised Contractual Schemes and OEICs” below.

The Receiving Fund has not yet been launched, so currently does not contain any assets. It will be launched if the Merger is approved and on launch will contain substantially all of the assets held by the Merging Fund at the time of Merger.

The proposal

As stated above, we propose to merge the Merging Fund, in which you hold Units, with the Receiving Fund by way of scheme of arrangement. Put simply, this means that if the Merger is approved your Units will be exchanged for Shares in the Receiving Fund.

We do not believe that the Merger will materially increase the existing risk profile for Unitholders as Shareholders in the Receiving Fund following the Merger, as the existing assets of the Merging Fund will be substantially the same as the Receiving Fund and the investment strategy will continue to target an asset allocation consistent with a cautious approach to risk.

A copy of a KIID providing further important details of the Receiving Fund is enclosed. Please make sure that you read the KIID.

Rationale for the proposal

We believe that the proposed merger will offer investors who take part in the Merger a number of potential benefits:

- the Merging Fund is principally targeted to Local Authorities, however, as it is structured as an ACS, it is restricted to investors with a minimum of £1,000,000, and so investment is limited to larger institutions (as well as Local Authorities). However, the Receiving Fund will be open to investors with a much lower minimum investment amount (£1,000) and can therefore be distributed to a wider investor base including smaller Local Authorities, institutions and other retail clients. This creates greater potential for growth of the fund over time. Investors could benefit from the potential for lower ongoing charges which can be achieved by economies of scale. Also, a more diverse and less concentrated investor base may offer benefit by way of an improved fund liquidity profile;
- reduced administrative burden when buying Shares as the Receiving Fund does not need the same amount of documentation that the Merging Fund does (this is due to the Merging Fund being structured as an ACS); and
- an enhanced policy with respect to ethical investment through the use of the CCLA Better World Policy.

More broadly we believe the proposal is positive for the Local Authority Sector, as it allows smaller authorities the opportunity to access an investment strategy that is currently only available to larger ones.

Investors are encouraged to weigh up these benefits against the adverse tax impact of the proposed merger as outlined below (under “Taxation of Authorised Contractual Schemes and OEICs”).

The investment objectives and policies of the Merging Fund and Receiving Fund

The Receiving Fund has been set up as a new fund to be launched through the Merger, with a similar investment objective and policy to those of the Merging Fund.

While the Receiving Fund still aims, like the Merging Fund, to provide both income and growth, it also:

- has a target total return (after costs) of inflation (as measured by the UK Consumer Prices Index) plus 2% per annum over any 5-year period, which we believe will provide investors with greater clarity on the level of return the fund is aiming for;
- manages volatility by limiting the maximum permitted investment in equities to 50%, whereas the Merging Fund measures volatility against the MSCI United Kingdom Investable Market Index; and
- specifies that the fund is managed in line with CCLA's Better World Policy.
- Although the Merging Fund is not subject to the CCLA Better World Policy, the way in which that fund is managed means that it already operates in line with some of the requirements of that policy. However, as the Receiving Fund must comply with this policy, it is subject to additional and different exclusions and restrictions. Some of the main restrictions the Receiving Fund is subject to are as follows:

Companies in which the Receiving Fund invests cannot:

- derive more than 3% of revenue from adult entertainment
- derive more than 10% of revenue from gambling
- derive more than 25% of revenue from alcohol production and/or retail
- derive more than 10% revenue from civilian firearms
- derive more than 10% of revenues from strategic military sales
- produce nuclear weapons or substantial components thereof, including fissile materials
- derive more than 10% revenue from high interest rate lending.

A copy of the full CCLA Better World Policy is included at the end of Part 2 of this document.

The full wording of both Funds' investment objectives and policies is set out in Part 2 of this document.

Investment and powers

In addition to the differences in their investment objectives and policies discussed above, the Merging Fund is a NURS whereas the Receiving Fund is a UK UCITS (see further below on these classifications). The Receiving Fund therefore has slightly narrower investment and borrowing powers – a NURS may for example invest in gold and property whereas a UK UCITS may not do so directly. Nevertheless, the Merging Fund does not presently make use of the greater flexibility afforded to a NURS for example it has never held investments in gold or direct property. No adjustments are required to particular exposure levels of certain asset types prior to implementation of the Merger to bring the Merging Fund's portfolio into full alignment with the UK UCITS Rules. There are however modest changes required to the portfolio to meet the Receiving Fund's Better World Policy (please see the section "Realignment" below for more detail on this).

Swing pricing

The Merging Fund operates a dilution levy whereby a charge is added to the price of buying Units or deducted from the price applicable to selling Units to mitigate the effects of the dealing costs incurred when the fund buys or sells investments (known as dilution). The existing levy is 0.186% on purchase and 0.134% on sales.

However, the Receiving Fund will operate with ‘swing pricing’. This means that instead of applying a charge, the ACD can, in a number of circumstances, adjust the price applicable to buying or selling Shares to take account of the effect of the dealing costs incurred. For example, the dilution adjustment may be applied if the net inflows or outflows on a dealing day exceed a material threshold. This compares to the current position of the Merging Fund where a dilution levy is applied to all transactions regardless of the volume of net flows. Based on future projections, we anticipate that, in normal market conditions, the dilution adjustment will likely be in the range of 0% to 1.5% of the net asset value of the Receiving Fund and applied on a daily basis.

Comparison of legal and regulatory features

The Merging Fund and Receiving Fund have different legal structures. We have set out below some of the key differences but in practice the funds operate in a very similar way.

The Merging Fund is a NURS structured as an authorised contractual scheme (ACS). The Receiving Fund is structured as a UK UCITS sub-fund of an umbrella UK Investment Company with Variable Capital, a type of investment company sometimes also known as an Open-Ended Investment Company (OEIC).

The table below sets out in summary form the main legal and regulatory features of ACSs and OEICs, and further detail follows the table.

Feature	ACS	OEIC
Legal Structure	Co-ownership scheme	Company
Fund Structure	Single co-ownership scheme or umbrella co-ownership scheme	Single fund company or umbrella company
Regulator	Financial Conduct Authority	Financial Conduct Authority
Regulations	Financial Services and Markets Act 2000, COLL and the Investment Funds Sourcebook of the FCA Handbook of Rules and Guidance	The OEIC Regulations and COLL
Investor’s Interest	Units	Shares
Management and Administration	Authorised Contractual Scheme Manager	Authorised Corporate Director (plus additional director(s) if desired)
Investments held by	Depository	Depository
Switching facility	Unitholders in a single ACS are generally permitted to switch their units for units/shares in any other ACS by the same manager.	Shareholders can switch between sub-funds of an umbrella OEIC, and are generally permitted to switch into a sub-fund of a different umbrella OEIC managed by the same authorised corporate director.
Pricing	Single pricing (the most commonly used pricing methodology for such funds is single pricing).	Single pricing (the most commonly used pricing methodology for such funds is single pricing).

Legal structure

In an ACS established as a co-ownership fund the investors have interests in the scheme property as tenants-in-common although it is held on their behalf by a depository. The fund is essentially a contract entered into by each investor with the operator (the ACS manager) and the depository of the fund.

An OEIC differs from an ACS in that it is structured as a company and is governed by an Instrument of Incorporation. This means it has many of the usual characteristics of a company such as a separate corporate identity, directors and shareholders.

An OEIC is incorporated as an investment company with variable capital under the OEIC Regulations. These regulations establish a separate corporate regime for the operation of open-ended investment companies which is different from the laws which govern other UK companies.

ACs issue units which represent the interests of the unitholders in the underlying assets, as tenants-in-common. In contrast an OEIC issues shares which represent a shareholder’s interest in the OEIC itself and not in the underlying assets of the company.

Regulators and regulations

Both the Merging Fund and the Receiving Fund are authorised and regulated by the FCA.

The FCA has made regulations which govern the operation of OEICs and ACs.

Fund structure

An AC may have one underlying fund or may be structured as an umbrella AC with a number of different funds, each with its own portfolio of underlying assets invested in accordance with the investment objective and policy applicable to that fund. Similarly, an OEIC may have only one underlying fund or may be an umbrella OEIC with a number of different funds.

Each fund of an umbrella OEIC or an umbrella AC has a specific portfolio of securities to which its assets and liabilities are attributable. So far as holders are concerned, each fund is generally treated as a separate entity. Each fund is treated as bearing the liabilities, expenses, costs and charges attributable to it (plus a share of any general liabilities, expenses and costs which are not attributable to any particular fund).

Taxation of Authorised Contractual Schemes and OEICs

The table below sets out the tax position of Authorised Contractual Schemes and OEICs and their investors in summary form.

The Merging Fund	The Receiving Fund
<p>Authorised Contractual Schemes and their sub-funds are transparent for UK income tax purposes and so not subject to income or corporation tax on their income. Instead, the unitholders are liable to tax where appropriate on their proportionate shares of the sub-fund’s underlying income. In the case of non-UK source income subject to local withholding tax in its source country, the unitholders will generally be entitled to reclaim some or all of the tax withheld from the relevant foreign tax authority under the double tax agreement between the source country and the UK (assuming as is currently the case that all investors in the Merging Fund are tax-resident in the UK).</p> <p>The position regarding capital gains realised on the disposal of investments by authorised co-ownership schemes is similar in that there is no liability to tax on capital gains realised by the sub-fund itself. However, for simplicity, UK tax-payers are treated for UK tax purposes as if their interests in a sub-fund were assets for capital gains purposes (rather than their shares of each of</p>	<p>OEICs are subject to a special corporation tax regime which applies to each sub-fund separately. Dividends received by an OEIC are generally exempt from UK corporation tax. Non-UK source dividends may, however, be received net of a local withholding tax. In these cases, the OEIC will generally be able to reclaim part of the foreign tax withheld under the double tax agreement between the UK and the source country. OEICs are liable to corporation tax at 20% on any remaining balance of their interest and other income after the deduction of their tax-deductible expenses, such as the management fees. The amount available for distribution at the end of each distribution period is allocated to the shareholders. The distributions are taxable as dividends in the hands of any taxpaying UK investors.</p> <p>OEICs are exempt from capital gains tax on the gains they realise, except in the case of gains realised on the disposal of certain offshore funds. When an investor disposes of shares in an OEIC</p>

the sub-fund's own assets). Accordingly, unitholders would be liable to tax, if they are not exempt, on gains realised when they dispose of units.	at a gain, then it will be taxable unless it is exempt from tax on capital gains.
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As set out in the table above, the Receiving Fund is chargeable to corporation tax on part of its income, that is, its non-dividend income after the deduction of its allowable expenses of management. It is exempt from corporation tax on chargeable gains. In contrast, the Merging Fund is tax-transparent and so it is not subject to tax (so any tax would arise at the Unitholder level).

The size of the impact of UK corporation tax is unpredictable and will depend largely upon the future level of market interest rates and property trust distributions, the composition of the portfolio (how much is allocated to these sectors) and tax rates. By way of demonstration, in 2021 the impact was estimated to be less than 5bps. For 2022 the impact would have been in the region of 11bps, while for the first half of 2023 it was estimated at approximately 25bps. (Note: these calculations are unaudited, internal generated estimates, using historical income statements of the Merging Fund).

If the Merger is approved, the impact will depend upon market interest rates and portfolio composition over the course of 2024 and beyond.

With respect to overseas withholding taxes the principal impact is a marginal increase in the rate of US withholding tax. The estimated impact for 2022 was approximately 2-4bps. The Receiving Fund benefits from reduced rates of foreign withholding tax and/or the right to reclaim part of the amounts withheld from the relevant foreign fiscal authority under relevant double tax treaties, where it is appropriate commercially for the resulting benefit. In contrast, because of the Merging Fund's tax-transparency, it is the investors who are eligible to make double tax treaty claims, with the result that the cost/benefit ratio is likely to result in reclaims being applied for on fewer lines of stock, so the relative advantage between the Merging Fund and the Receiving Fund will vary but is likely to be small.

Realignment

As detailed above, the Receiving Fund will be subject to the CCLA Better World Policy. As a result of the restrictions in that policy, if the Merger is approved, we will need to sell four equity holdings in the Merging Fund and transfer the cash to the Receiving Fund where it will be used to buy equity holdings which comply with the CCLA Better World Policy. We will pay for any costs involved in the sale of those equity holdings.

Procedure for the approval of the Merger

The proposed Merger requires the passing of an extraordinary resolution at a Meeting of Unitholders. If the Merger is approved it will be binding on all Unitholders in the Merging Fund at the Effective Date (whether or not they voted in favour of it, or voted at all). If Unitholders do not approve the Merger, the ACS Manager is likely to continue to operate the Merging Fund, however the strategy may be subject to review.

Details of the various consents to the Merger are set out in Part 4 of this document. The procedure for the Meeting of Unitholders is set out in Part 5A of this document.

The resolution to enable the implementation of the Merger in respect of the Merging Fund is set out in the Notice of a Meeting of Unitholders in Part 5B of this document.

If approved, the Merger will be affected for the Merging Fund on 16 February 2024.

Details of the outcome of the Meeting of Unitholders will be available on our website www.ccla.co.uk shortly after the meeting.

Details of the Merger

If the Merger is approved, Unitholders will receive New Shares of the class and type set out below, in exchange for the transfer of the assets of the Merging Fund to the Receiving Fund on the terms set out in the Scheme. The value of your holding will not be impacted.

New Shares will be issued under the Merger as follows:

Merging Fund current Unit class and type	New Share class and type to be issued in the Receiving Fund under the Merger
Class 2 Units - Income	Income Class C
Class 3 Units - Income	Income Class C

No initial charge will be paid in respect of the issue of New Shares. Units in the Merging Fund will be deemed to have been cancelled and will cease to be of any value and the ACS Manager will proceed to terminate the Merging Fund.

In order to simplify the Merger process, an additional interim accounting date ending at 2:59 p.m. on the Effective Date will be introduced in respect of the Merging Fund.

Any income available for allocation from the end of the previous accounting period to 2:59 p.m. on the Effective Date will be allocated and transferred to the distribution account of the Merging Fund. Within two months of the Effective Date, this income will be distributed to Unitholders in the Merging Fund.

Further details of the Merger are contained in the Scheme set out in Part 2 of this document.

Dealings before and after the Merger

Any requests for subscriptions or redemptions in the Merging Fund received before 12 noon. on 15 February 2024 will be dealt with in the usual way. Requests received after this time will be deemed to apply to the New Shares issued following the Merger and will be carried over until the next valuation point of the Receiving Fund which will be 12 noon 19 February 2024.

Dealings in New Shares are expected to commence at 9:00 a.m. on 19 February 2024, being the next business day following the Effective Date of the Merger. You will receive confirmation of the merger within 14 days of the Effective Date. You may deal in your New Shares before you receive the letter of notification confirming the allocation of New Shares to you.

The procedures for buying, redeeming and switching New Shares are broadly the same as those relating to Units in the Merging Fund, but dealing instructions as well as changes to existing accounts should be sent to:

Post:
CCLA
PO Box 12892
Dunmow Essex CM6 9DL

Fax:
0844 8801 559

Email: (if the relevant email instructions authority is held)
cclaclientservices@fnztaservices.com

Please note, however, the different valuation points on dealing days for the Receiving Fund, 12 noon rather than 3:00 p.m. for the Merging Fund. This is the time on a dealing day as at which the Receiving Fund is valued for the sale and purchase of Shares, although for both the Merging Fund and Receiving Fund requests to deal must be received before 12 noon on a dealing day to be dealt with on that dealing day.

Costs of the Merger

The costs of implementing the Merger (including the costs incurred in selling specific equity holdings as part of the realignment detailed above) will be paid by the ACS Manager and not by the Funds.

Tax consequences of the Merger

UK Unitholders

Although the Merger will constitute a disposal of Units for capital gains tax purposes, all the current Unitholders in it are exempt from tax on capital gains through being local government pension schemes, local authorities or UK charities so it should not trigger a liability to tax on chargeable gains in their hands. Further, while all income arising to the ACS before the Merger will constitute taxable income of the Unitholders at the time, since in fact all the current Unitholders are exempt from tax on investment income, it should not be taxable in their hands. Accordingly, there would be no benefit to the ACS or the Unitholders in applying for the tax clearances that are generally obtained for authorised fund mergers, and so no applications have been made in respect of the Merger.

It is not anticipated that UK stamp duty reserve tax or stamp duty should be payable in respect of the transfer of the property of the Merging Fund to the Receiving Fund as part of the Merger. If any UK or other taxes or duties including overseas transfer taxes are incurred by the Funds, they will be paid by the ACS Manager.

This is a summary of our understanding of the current UK legislation and HM Revenue & Customs' practice relevant to the current Unitholders regarding the issue of New Shares under the Merger. It may be subject to change.

If you are in any doubt about your potential liability to tax, you should consult an independent professional adviser. Please also see the earlier section ("Taxation of Authorised Contractual Schemes and OEICS") for detail on the tax treatment which applies to the Merging Fund and how this will be different in respect of the Receiving Fund.

Right of redemption

If you do not wish to participate in the Merger and do not wish to hold Shares in the Receiving Fund, you may redeem your Units in the Merging Fund. However, if you do not participate, and the vote passes, you will receive Shares in the Receiving Fund. Rights of redemption are subject to the terms set out in the Prospectus of the ACS.

Any redemption made up to and including the 3pm valuation point on 15 February 2024 will be free of redemption charges.

If you wish to redeem the Units, you hold before the Merger we must receive your instructions by 12 noon on 15 February 2024. Instructions received after this time will be deemed to apply to your New Shares in the Receiving Fund.

If you wish to redeem your Units prior to the Merger, please contact us on 0800 022 3505.

Please note that a redemption will be treated as a disposal of Units for tax purposes, and you may be liable to capital gains tax on any gains arising from the redemption of your Units.

Further information relating to the Merger

The documents set out in Part 4 of this document are available for inspection as described below at Part 4.

Mandates and other instructions

Any mandates or other instructions which you have given in relation to your Units will automatically apply to the New Shares issued to you following the Merger. If you do not want these mandates to be carried forward, please let us know. You may, of course, change these mandates or instructions at any time.

Action to be taken

We urge you to vote in favour of the Merger. To be passed, the extraordinary resolution requires a majority in favour of not less than 75% of the total number of votes cast, so it is important that you exercise your right to vote. If you do not vote and it passes, you will receive Shares in the Receiving Fund.

Please complete and return the enclosed Form of Proxy in the envelope provided to CCLA Fund Managers Limited, One Angel Lane, London, EC4R 3AB.

Your Form of Proxy must be received no later than 48 hours before the time of the Meeting of Unitholders being no later than 10 a.m. on 29 January 2024.

If you are uncertain as to how to respond to this document, you should consult a financial adviser for advice. If you have any questions concerning the Merger, please contact us on 0800 022 3505 Monday to Friday 9:00 am to 5:00 pm.



David Sloper

Director

CCLA Fund Managers Limited (as authorised contractual scheme manager of Diversified Income Fund)

Part 2

Main features of the Merging Fund and Receiving Fund

In this section capitalised terms have the meaning set out in the Glossary

The following section shows a comparison of the main features of the Merging Fund and the Receiving Fund, and specific details of the unit and share classes in the Funds. Please also see the KIID enclosed with this document in relation to the features of the Receiving Fund. Please make sure that you read the KIID.

	Diversified Income Fund a sub-fund of CCLA Authorised Contractual Scheme	CCLA Better World Cautious Fund a sub-fund of CCLA Investment Funds ICVC
1. Investment objective and policy:	<p><u>Investment Objective</u></p> <p>The investment objective of the Diversified Income Fund is to provide income and the potential for capital growth over the long-term from an actively managed diversified portfolio.</p>	<p><u>Investment Objective</u></p> <p>The Sub-Fund aims to provide a total return (the combination of capital growth and income) after costs, of inflation (as measured by the UK Consumer Prices Index) plus 2% per annum over the long-term (defined as any rolling period of 5 years). The Sub-Fund is managed in line with CCLA's approach to investing for a better world as outlined in CCLA's Better World Policy.</p> <p>The Sub-Fund is classified as 'Cautious' as it will not invest more than 50% in value of its Scheme Property in equities. There is no guarantee that the objective of the Sub-Fund will be achieved over any time period. Capital is at risk.</p>

Diversified Income Fund
a sub-fund of
CCLA Authorised Contractual
Scheme

CCLA Better World
Cautious Fund
a sub-fund of
CCLA Investment Funds ICVC

Investment Policy

The DIF will be actively managed and will use a broad range of assets to achieve the investment objective. Control of risk as measured by Volatility will be a high priority and the ACS Manager will aim to constrain annual Volatility to no more than half that of the UK equity market (as measured by the MSCI United Kingdom Investable Market Index). Assets available for investment will include: equities in the UK and overseas; fixed interest securities, including those issued by governments and their agencies and by corporations and other issuing bodies; permitted money-market instruments, cash and near cash investments; and infrastructure related investments, including, but not exclusively, those which derive their returns from energy, leasing and accommodation assets. Exposure to these assets may be via direct holdings or through open-ended or closed-ended investment funds. Investments will be made directly and indirectly through collective investment schemes, including those managed by the ACS Manager's Group and by third parties. Collective investment schemes may include exchange traded funds, closed-ended investment companies and open-ended funds. It is not intended that the DIF will have any interests in any immovable property or movable property for the direct pursuit of its business.

Forward foreign exchange transactions may be used only for the purposes of Efficient Portfolio Management. The DIF

Investment Policy

The Sub-Fund will invest in a broad range of assets to achieve its investment objective including shares of companies (also known as equities), issued by companies anywhere in the world (including the UK), fixed/floating interest securities (also known as bonds) issued by governments and their agencies and by companies and other issuing bodies, infrastructure related assets (indirectly), money-market instruments, cash, near-cash and emerging markets. The Sub-Fund's typical exposure to emerging markets will be 5% but may be up to 20%. The proportion of the Sub-Fund's portfolio (by value) in its two likely main asset classes will be as follows: company shares (excluding any holdings in UK investment trusts or other closed end funds), 20-50%; and bonds, 0%-60%.

Exposure to these assets may be via direct holdings or indirectly through investment in other funds (including those managed and operated by the ACD and its Associates). Such funds may include exchange traded funds, closed-ended investment companies (including UK investment trusts) and open-ended funds.

The Sub-Fund is actively managed which means the ACD uses their discretion to pick investments to seek to achieve the investment objective. The proportion of the Sub-Fund invested in different asset classes will vary over time in response to the economic and market environment and the ACD's

	<p>Diversified Income Fund a sub-fund of CCLA Authorised Contractual Scheme</p>	<p>CCLA Better World Cautious Fund a sub-fund of CCLA Investment Funds ICVC</p>
	<p>will not use Leverage other than for this purpose.</p> <p>In order to achieve the investment objective, the proportion of the DIF invested in different asset Classes will vary over time in response to the economic and market environment and expectations of future returns and Volatility.</p> <p>The DIF employs ethical and responsible investment policies as determined by the ACS Manager, and informed by consultation with Unitholders from time to time and which are reviewed by the ACS Manager at least annually. The ACS Manager does not believe that the policies will have a lasting or substantial adverse impact on the performance of the DIF.</p> <p>The DIF is promoted as an ethical fund and will avoid investment in companies that the ACS Manager has concluded as deriving more than 10% of their revenue from the extraction of oil and gas (this is defined as revenue derived from oil and gas extraction and production and oil and gas refining) after analysing data from the ACS Manager's third party data provider. Further information about the ethical and responsible policies to be followed by the DIF is available from the ACS Manager's website www.ccla.co.uk.</p>	<p>expectations of future returns and volatility.</p> <p>The ACD takes a long-term view of the requirement to grow real returns and focuses on constructing a portfolio to offset risks. The Sub-Fund will not have a concentrated portfolio or be restricted by sector or industry. The Sub-Fund may only use derivatives for Efficient Portfolio Management purposes.</p> <p>The Sub-Fund is managed in line with CCLA's approach to investing for a better world (CCLA's Better World Policy). This includes:</p> <ol style="list-style-type: none"> 1. Acting as an agent for 'change', because investment markets can only ever be as healthy as the environment and communities that support them. 2. Assessing companies' environmental, social and governance criteria because the ACD believes that a combination of legislation, regulation and changing societal preference will impact negatively on unsustainable business models. 3. Investing in a way that we believe is aligned with our clients. 4. Implementation of the Better World Policy as the ACD will establish a 6 month divestment window for the asset to be sold should a portfolio holding cease to comply with the Better World Policy.

Diversified Income Fund
a sub-fund of
CCLA Authorised Contractual
Scheme

CCLA Better World
Cautious Fund
a sub-fund of
CCLA Investment Funds ICVC

Benchmark(s)

For comparative purposes and to reflect the Investment Objective the Sub-Fund will use as its comparator benchmark the weighted average of a number of different indices. The current indices and their weightings are set out below:

Indices	Weighting
MSCI United Kingdom Investable Market index™	20.00%
MSCI North America™	6.67%
MSCI Europe ex UK™	6.67%
MSCI Pacific™	6.67%
Sub-total equity indices	40%
Markit iBoxx £ Gilts Index™	30%
Markit iBoxx £ Non-Gilts Index™	30%
Sub-total fixed interest indices	60%
Total	100%

The weighted average of the component indices used by the DIF within the comparator benchmark will be referred to as the "DIF Benchmark".

The indices used within the DIF Benchmark are provided by MSCI and Markit iBoxx who are both widely recognised as leading providers of market proxy indices.

Benchmark(s)

Target Benchmark: UK Consumer Prices Index +2%

Comparator Benchmark: the composite comparator benchmark of the Sub-Fund (and the constituents' respective weightings within the comparator benchmark) is as follows: 40% equity (MSCI World Index) and 60% fixed interest: (Markit iBoxx £ Gilts 30% & Markit iBoxx £ Non-Gilts 30%).

		Diversified Income Fund a sub-fund of CCLA Authorised Contractual Scheme	CCLA Better World Cautious Fund a sub-fund of CCLA Investment Funds ICVC
2.	Category of Scheme:	Non-UCITS Retail Scheme	UK UCITS Scheme
3.	Types of units/shares offered:	Class 2 Units - Income ----- Class 3 Units - Income	Class C Accumulation ----- Class C Income
4.	Income Equalisation:	An income equalisation policy applies	An income equalisation policy applies
5.	Ongoing Charges Figure (OCF)	Class 2 Units 0.85% (as at August 2023) ----- Class 3 Units 0.91% (as at August 2023)	Class C Shares 0.84% (estimated)
6.	Depository:	HSBC Bank Plc	HSBC Bank Plc
7.	Dilution Policy:	Where the Sub-Fund buys or sells underlying investments in response to a request for the issue or redemption of Units, it will generally incur a cost, made up of dealing costs and any spread between the bid and offer prices of the investments concerned, which is not reflected in the price paid by or to the Unitholder. This effect is known as "dilution" and may affect the future growth of the relevant Sub-Fund. To alleviate dilution, the ACS Manager is entitled to impose a dilution levy, which will be added to the purchase price or deducted from the redemption price of Units as appropriate. This levy is paid directly into the relevant Sub-Fund.	The actual cost of purchasing or selling assets and investments in a Sub-Fund may vary due to dealing charges, taxes, and any spread between buying and selling prices of the underlying investments of a Sub-Fund. These costs could have an adverse effect on the value of the Sub-Fund, known as "dilution". In order to mitigate the effect of dilution the ACD may at its discretion adjust the sale and purchase price of Shares to take into account the possible effects of dilution to arrive at the price of the Shares. This practise is known as making a "dilution adjustment" or "swing pricing". The power to make a dilution adjustment may only be exercised for the purpose of reducing dilution in a Sub-Fund. If the price of the Shares does contain a dilution adjustment, such dilution adjustment will be paid into the Sub-Fund and will become part of the property of

		Diversified Income Fund a sub-fund of CCLA Authorised Contractual Scheme	CCLA Better World Cautious Fund a sub-fund of CCLA Investment Funds ICVC
			the Sub-Fund thus mitigating the effects of dilution that would otherwise constrain the future growth of the Sub-Fund.
8.	Valuation point:	3pm on each Dealing Day (which means any weekday when the banks in England and Wales are open for business (excluding any bank or public holiday in England and Wales), with a 12 noon dealing cut-off point.	12 noon on each Dealing Day (which means a day on which the London Stock Exchange is open), and deals must be received by the valuation point.
9.	Minimum initial and holding investment Levels:	Class 1 Units - £1,000,000 Income ----- Class 2 Units - £1,000,000 ----- Class 3 Units - £1,000,000	Class C £1,000* ----- * The ACD may waive minimum level at its discretion.
10.	Accounting period end dates:		
	Interim:	30 June	30 June
	Final:	31 December	31 December
11.	Pricing Basis:	Single price on forward basis	Single price on forward basis
12.	Risk Indicators:	3 (SRI) 4 (SRRI)	3 (SRI) 4 (SRRI)
<p>Note: This is a measure used to classify investment risk with 1 representing low risk and 7 representing high risk.</p> <p>As a result of their different regulatory structures (with the Merging Fund being a NURS and the Receiving Fund being a UK UCITS), the Merging Fund and the Receiving Fund use different calculations when preparing their risk indicators. The Merging Fund uses a</p>			

	Diversified Income Fund a sub-fund of CCLA Authorised Contractual Scheme	CCLA Better World Cautious Fund a sub-fund of CCLA Investment Funds ICVC
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Summary Risk Indicator (“SRI”), whereas the Receiving Fund uses a Synthetic Risk and Reward Indicator (“SRRI”). As the Merging Fund and Receiving Fund will have substantially the same portfolios, the outcomes under each method are the same for both funds and these have been reflected in the table above. However, it should be noted that the Receiving Fund will only use the SRRI calculation.

The CCLA Better World Policy

Investing for a Better World: The Receiving Fund is managed in line with CCLA’s approach to investing for a better world. This includes:

1. Acting as an agent for ‘change’

Acting as an agent for ‘change’, because investment markets can only ever be as healthy as the environment and communities that support them.

This is done by:

- Using the Sub-Fund’s ownership rights to help improve the sustainability of the assets in which it invests. The ACD’s approach is set out in its Engagement Policy and Proxy Voting Guidelines, both of which are available on CCLA’s website (<https://www.ccla.co.uk/about-us/policies-and-reports>) and regularly updated.
- Bringing investors together to address systemic issues that have not had the attention that they require. The ACD prioritises selected themes based upon an assessment of the issue and the level of response by the investment community. Initially this will focus on climate change, addressing modern slavery in company supply chains and addressing poor corporate practices for protecting employees’ mental health. The ACD’s current priorities will be regularly disclosed on CCLA’s website (<https://www.ccla.co.uk/about-us/policies-and-reports>).
- Seeking to be a catalyst for change in the investment industry. Examples of how this is delivered may include the provision of training and the development of publicly available resources. Current priorities are disclosed on CCLA’s website (<https://www.ccla.co.uk/about-us/policies-and-reports>).

2. Assessing **companies’** environmental, social and governance criteria

Assessing companies’ environmental, social and governance criteria because the ACD believes that a combination of legislation, regulation and changing societal preference will impact negatively on unsustainable business models. For this reason, the Sub-Fund will avoid investing in companies that have:

- Poor management and weak corporate governance. As defined by the ACD and informed by tools such as CCLA’s proprietary corporate governance ranking.
- An unacceptable social and environmental impact, as defined by the ACD. Initially this will be defined as companies identified by CCLA, using data providers of their choice, as:

- producing landmines, cluster bombs, chemical/biological and/or nuclear (including fissile materials) weapons systems or substantial components thereof.
 - producing tobacco products and/or deriving more than 5% of turnover from tobacco.
 - not meeting CCLA’s climate change criteria as set out in the ‘Investor Climate Action Plan’, as available on the CCLA website (<https://www.ccla.co.uk/about-us/policies-and-reports>). This includes:
 - 1) minimum standards against which companies are assessed, 2) a restriction upon investing in fossil fuel producers (defined as a company that derives more than 5% of revenue from the extraction of coal or tar sands and/or a company that derives more than 10% of revenue from the extraction and/or refining of oil and gas) and 3) CCLA’s commitment to achieve ‘Net Zero’ emissions listed equity portfolios no later than 2050. Further information on our Better World Policy is available: <https://www.ccla.co.uk/about-us/policies-and-reports>).
 - being responsible for a significant controversial environmental and/or social incident and, following a period of engagement of no more than three years by the ACD, has not taken appropriate steps to respond to the damage caused. At launch a significant controversial incident will be defined as being assessed by a data provider of the ACD choosing as either:
 - 1) failing an assessment of compliance with the UN Global Compact, 2) failing an assessment of compliance with the UN Guiding Principles for Business and Human Rights and/or 3) another equivalent approach to assessing controversies – such as a Level 0 controversy as defined by MSCI ESG Research.
 - Not demonstrating a willingness to improve through investor engagement.
- 3. Investing in a way that we believe is aligned with our clients**
- At launch this will preclude investment in:
 - a) Companies identified by CCLA, using data providers of their choosing as:
 - Deriving >25% of revenue from alcohol production and/or retail.
 - Deriving >10% of revenue from gambling, civilian firearms, strategic military sales, high interest rate lending and/or the production and/or distribution of cannabis for the retail market.
 - Deriving >3% of revenue from adult entertainment production and/or distribution.
 - b) Fixed Income securities that are issued by a nation identified by CCLA as being amongst the world’s most oppressive, using data sources of their choice including, but not limited to, Freedom House’s Annual Freedom in the World Publication. The current list of precluded nations is available for inspection on CCLA’s website.
 - c) Other investment funds that are assessed by CCLA, as per the approach set out in their Values-based Investment policy, as having any exposure to landmines, cluster munitions, chemical or biological weapons or exposures that materially contradict the above approach. At launch, this is defined as having more than 10% of Net Asset Value exposed to other precluded activity including rules related to nuclear weapons. As a final safeguard, we seek to ensure that the combined exposure to all restricted activities within such other investment fund holdings remains below 1% of the capital value of the relevant Sub-Fund. Due to a lack of data this approach to assessing the eligibility of other investment funds is implemented on a ‘best-endeavours’ basis.

This will be implemented as per the Manager’s Values Based Screening Policy, and may evolve over time. The policy and the current list of exclusions is available at www.ccla.co.uk.

Reporting on the efficacy of this work to contribute to a ‘better world’. This will be published annually on CCLA’s website (<https://www.ccla.co.uk/about-us/policies-and-reports>).

4. Implementation of the Better World Policy

Should a portfolio holding cease to comply with the above approach, the ACD will establish a 6 month divestment window for the asset to be sold. This ensures that shareholders are not financially disadvantaged by the Sub-Fund becoming an immediate forced seller.

The policy will be kept under review, and clients will be notified of any changes on **CCLA's website**.

Part 3

Scheme of arrangement for the Merger of the Merging Fund with the Receiving Fund

In this section capitalised terms have the meaning set out in the Glossary

1. Definitions and interpretation
 - 1.1 In this Scheme, unless the context otherwise requires, the terms shall have the meaning set out in the Glossary to this document. In addition, where relevant in the context, terms which are defined in the Regulations shall have the same meaning in this Scheme.
 - 1.2 References to paragraphs are to paragraphs of the Scheme.
 - 1.3 If there is any conflict between the Scheme, the Co-ownership Deed or the Prospectus of the Merging Fund, then the Co-ownership Deed will prevail. If there is any conflict between the Scheme and the Regulations, then the Regulations will prevail.
2. Approval of Unitholders
 - 2.1 The Merger is conditional upon the passing of an extraordinary resolution at a meeting of Unitholders, by which the Unitholders approve the Scheme and authorise the implementation of the Merger.
 - 2.2 If the extraordinary resolution is passed, the Merger will be binding on all Unitholders in the Merging Fund (whether or not they voted in favour of it, or voted at all) and the Scheme will be implemented as set out in the following paragraphs.
3. Dealings in the Merging Fund
 - 3.1 The last dealing in Units will be at [3:00 p.m.] on 15 February 2024. Instructions received after 12 noon on 15 February 2024 will be held over until the next valuation point of the Receiving Fund which will be 12 noon on 19 February 2024 and will be deemed to apply to the New Shares issued following the Merger.
 - 3.2 In order to facilitate the implementation of the Scheme, dealings in the Merging Fund will be suspended after 3:00 p.m. on 15 February 2024. The first day for dealing in the Receiving Fund following the Effective Date will be 19 February 2024.
4. Income allocation and distribution arrangements
 - 4.1 The then current interim accounting period of the Merging Fund will end at 2:59 p.m. on 16 February 2024.
 - 4.2 The actual and estimated income (if any) available for distribution in respect of the then current accounting period accruing to Units in the Merging Fund will be allocated to those Units and transferred to the distribution account of the Merging Fund. Within two months of the Effective Date, this income will be distributed to Unitholders in the Merging Fund.

4.3 Any distributions (together with any interest arising on the distributions) attributable to Units in the Merging Fund deemed in issue immediately before the Effective Date which are unclaimed after the expiry of six years from the date of payment will revert to the Receiving Fund.

5. Calculation of the Merging Fund Value

5.1 The Merging Fund Value will be calculated as at 3:00 p.m. on the Effective Date.

5.2 The Merging Fund Value will be used to calculate the number of Shares of the Receiving Fund to be issued to each Unitholder under paragraphs 6 and 7.

6. Transfer of property from the Merging Fund to the Receiving Fund and issue of New Shares

6.1 The property of the Merging Fund will become part of the property of the Receiving Fund in exchange and in full payment for the issue of New Shares. The Depositary shall cease to hold the property of the Merging Fund less the Retained Amount as attributable to the Merging Fund and shall hold the property as attributable to the Receiving Fund and the Depositary shall make or ensure the making of such transfers and re-designations as may be necessary as a result.

6.2 The ACD will arrange for the issue of New Shares to Unitholders (who are registered as holding Units on the Effective Date) of the same class, type, and amount as their Units free of any initial charge.

6.3 All Units in the Merging Fund will be deemed to be cancelled and will cease to be of any value as at 3:00 p.m. on the Effective Date.

6.4 Unitholders will be treated as exchanging their Units for New Shares. The value of New Shares received under the Scheme will not include any element of income.

7. Basis for the issue of New Shares

Each Unitholder in the Merging Fund holding Units on the Effective Date will be issued with Shares in the Receiving Fund of the appropriate class on a “one for one” basis based on the Merging Fund Value.

8. Notification of the New Shares issued under the Scheme

8.1 Certificates will not be issued in respect of New Shares.

8.2 It is intended that the ACD will notify each holder (or, in the case of joint holders, the first named of such holders on the register) of the number and class of New Shares issued to that holder within 14 days after the Effective Date.

8.3 Transfers or redemptions of New Shares issued under the Scheme may be made from the next business day after the Effective Date.

9. Mandates and other instructions in respect of New Shares

Mandates and other instructions to the ACS Manager in force on the Effective Date in respect of Units will be deemed to be effective in respect of New Shares issued under the Scheme and in respect of other later acquired Shares in the Receiving Fund, if relevant. Unitholders may change these mandates or instructions at any time.

10. Termination of the Merging Fund

10.1 On the Scheme becoming effective the ACS Manager shall commence the process to

terminate the Merging Fund in accordance with the FCA Rules, the Prospectus of the ACS and the Scheme.

10.2 The Retained Amount (which will be made up of cash and other assets, if necessary) and any income arising on it, will be used by the Depositary to pay any outstanding liabilities of the Merging Fund in accordance with the directions and instructions of the ACS Manager and the provisions of the Co-ownership Deed, the ACS's Prospectus and the FCA Rules.

10.3 If, on the completion of the termination of the Merging Fund, there are any surplus moneys remaining in the Merging Fund, they, together with any income arising from them, shall be transferred to the Receiving Fund. No further issue of New Shares shall be made as a result. The Depositary shall cease to hold the Retained Amount in its capacity as depositary of the Merging Fund and shall make such transfers and re-designations as may be directed and/or instructed by the ACS Manager.

10.4 If the Retained Amount is insufficient to discharge all the liabilities of the Merging Fund, the ACS Manager will cover any shortfall.

10.5 On completion of the termination of the Merging Fund, the Depositary and the ACS Manager will be discharged from all their obligations and liabilities in respect of the Merging Fund, except those arising from a breach of duty before that time. The annual long report in respect of the Merging Fund will be drawn up and, within four months of termination of the Merging Fund, a copy of the annual long report and the Auditor's report on it will be sent to the FCA and to each person who was a Unitholder immediately before completion of the termination.

10.6 If after the completion of the termination of the Merging Fund contingent assets should arise that were not recognised or only partly recognised by the ACS Manager and Depositary at the time of the Effective Date of the Scheme such assets will be transferred to the Receiving Fund less any costs that the ACS Manager or Depositary might incur in securing these assets for the Merging Fund.

11. Costs, charges and expenses

11.1 The Depositary and the ACS Manager will continue to receive their usual fees and expenses for being the depositary and authorised contractual scheme manager respectively of the Merging Fund out of the property of the Merging Fund which accrue prior to the Effective Date, or, in the case of expenses of the Depositary properly incurred in connection with the Scheme on the termination of the Merging Fund, after the Effective Date.

11.2 The costs of preparing and implementing the Merger under the Scheme, including any overseas transfer taxes payable on the transfer of non-UK assets, will be paid by the ACS Manager, not by Unitholders.

12. The ACS Manager and the Depositary to rely on register

12.1 The ACS Manager and the Depositary shall be entitled to assume that all information contained in the register of Unitholders of the Merging Fund on and immediately prior to the Effective Date is correct, and to utilise the same in issuing and registering the New Shares pursuant to the Scheme.

12.2 The ACS Manager may act and rely upon any certificate, opinion, evidence or information furnished to it by its professional advisers or by the auditors of the Merging Fund in connection with the Scheme and shall not be liable or responsible for any resulting loss.

13. Alterations to the Scheme

The terms of the Scheme may be amended as determined by the ACS Manager and approved by the FCA.

14. Governing law

The Scheme is governed by and shall be construed in accordance with the laws of England and Wales.

Dated: 3 January 2024.

Part 4

Consents and confirmations

In this section capitalised terms have the meaning set out in the Glossary

The ACD

CCLA Investment Management Limited, as ACD of the Receiving Fund, confirms that the receipt of the property under the Scheme by the Receiving Fund is not likely to result in any material prejudice to the interests of shareholders in the Receiving Fund, is consistent with the objectives of the Receiving Fund and can be effected without any breach of the FCA Rules.

The Depositary

HSBC Bank Plc, as depositary of the Merging Fund, has informed the ACS Manager by letter that, while expressing no opinion as to the merits of the Merger which is a matter for the judgement of each Unitholder and, not having been responsible for the preparation of this document, it consents to the references made to it in this document in the form and context in which they appear.

Financial Conduct Authority

The FCA has confirmed in a letter to Eversheds Sutherland (International) LLP, solicitors for the ACS Manager in respect of the Merger, that:

- the Merger will not impact the ACS's ongoing authorisation
- subject to approval of the Merger at the EGM, the ACS Manager may commence termination of the Merging Fund.

Documents available for inspection

The following documents are available on request in advance of the Meeting (or any adjourned Meeting) by calling us on 0800 022 3505 from Monday to Friday between 9am and 5.30pm:

1. the Co-ownership Deed of the ACS;
2. the Prospectus of the ACS;
3. the Instrument of Incorporation of the Company;
4. the current Prospectus of the Company;
5. the following letters referred to above:
 - (a) the order and letter from the Financial Conduct Authority to Eversheds Sutherland (International) LLP; and
 - (b) the letter from the Depositary to CCLA Fund Managers Limited.
6. the KIID of the Receiving Fund; and
7. the latest Report and Accounts for the ACS.

Part 5A

Procedure for Meeting of Unitholders

A notice of a Meeting of Unitholders setting out the resolution to approve the Merger is in Part 5B.

The quorum for the meeting is two investors, present by proxy.

The Depositary has appointed David Sloper or, failing him Martin Henwood or any other duly authorised representative of the ACS Manager, to be chairperson of the meeting.

The resolution will be proposed as an “extraordinary resolution” and must be carried by a majority in favour of not less than 75% of the total number of votes cast at the meeting. (Persons who are investors in the Merging Fund on the date seven days before the Notice is sent out but excluding persons who are known to the ACS Manager not to be investors at the time of the meeting, are entitled to vote and be counted in the quorum.) Once passed, an extraordinary resolution is binding on all investors in the Merging Fund.

As authorised contractual scheme manager of the Merging Fund, CCLA Fund Managers Limited is only entitled to be counted in the quorum and vote at the meeting in respect of Units which it holds on behalf of or jointly with a person who, if himself or herself the registered Unitholder, would be entitled to vote and from whom the ACS Manager has received voting instructions.

Associates of the ACS Manager are entitled to be counted in a quorum. They may vote at the meeting in respect of Units which they hold on behalf of or jointly with a person who, if himself the registered holder, would be entitled to vote and from whom they have received voting instructions.

In view of the importance of the Merger, the chairperson of the meeting will order a poll to be taken in respect of the resolution. On a poll, each investor may vote in person or by proxy. The voting rights attaching to each Unit in the Merging Fund are such proportion of the voting rights attached to all the Units in issue in the Merging Fund that the price of the Unit bears to the aggregate price(s) of all the Units in issue at the date seven days before the Notice of Meeting is sent out. An investor entitled to more than one vote on a poll need not, if he or she votes, use all their votes or cast all the votes they use in the same way.

Part 5B

Notice of meeting of Unitholders

Notice of an extraordinary general meeting of Diversified Income Fund

This document notifies you that CCLA Fund Managers Limited will hold an extraordinary general meeting of the unitholders of Diversified Income Fund, a sub-fund of CCLA Authorised Contractual Scheme, to be held at the offices of CCLA Investment Management Limited at One Angel Lane, London, EC4R 3AB on 31 January 2024 at 10.00 a.m. (UK time).

The Chairperson will take any questions.

The purpose of the meeting is to consider and, if thought fit, to pass the resolution below as an extraordinary resolution:

Extraordinary resolution

THAT, the scheme of arrangement (the “Scheme”) for the merger of the Diversified Income Fund (the “Fund”), a sub-fund of CCLA Authorised Contractual Scheme with the CCLA Better World Cautious Fund, a sub-fund of CCLA Investment Funds ICVC, the terms of which are contained in a document dated 3 January 2024 and addressed to unitholders in the Fund, is hereby approved, and accordingly that the authorised contractual scheme manager and depositary of the Fund are hereby instructed to implement the Scheme in accordance with its terms.



David Sloper

Director
CCLA Fund Managers Limited
(as authorised contractual scheme manager of Diversified Income Fund)

Notes

1. To be passed, an extraordinary resolution must be carried by a majority in favour of not less than 75 per cent of the total votes cast at the Meeting.
2. A form of proxy is attached and Unitholders are requested to complete and return it in the reply paid envelope so as to arrive to CCLA Fund Managers Limited, One Angel Lane, London, EC4R 3AB not less than 48 hours before the time appointed for the holding of the meeting. Any power of attorney or other authority under which a form of proxy is signed or a certified copy of such power or authority must be deposited with the form of proxy. Forms of proxy completed for use at the original meeting will remain valid for any adjourned meeting.
3. In the case of joint Unitholders: the vote of the senior who tenders a vote in person or by proxy shall be accepted to the exclusion of the votes of the other joint Unitholders and for this purpose seniority shall be determined by the order in which the names stand in the register of Unitholders. Forms of proxy completed for use at the original meeting will remain valid for any adjourned meeting.
4. The quorum for a meeting of Unitholders is any two Unitholders attending in person or by proxy. A holder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way. The majority required for the passing of the extraordinary resolution is 75 per cent or more of the total number of votes cast for and against such resolution.
5. At the meeting the vote will be taken by poll. On a poll, each unit will carry that proportion of the total number of votes exercisable in respect of the units as is equal to the proportion which the price of one unit bears to the aggregate price of all units at the qualification date for Unitholders.

Part 5C

Form of Proxy relating to EGM of Diversified Income Fund

For use at the meeting of unitholders of Diversified Income Fund (“Unitholders”) to be held at the offices of CCLA Investment Management Limited at One Angel Lane, London, EC4R 3AB on 31 January 2024 at 10:00 a.m.

Please read Part 1 of the accompanying document dated 3 January 2024 and the Notes carefully before completing this Form of Proxy.

Unitholder’s name:

Unitholder’s Address:

Client Account Number:

I/We, identified above, being a Unitholder in the Diversified Income Fund hereby appoint the Chairperson of the meeting

or
... (see note 1 below) to act as my/our proxy to vote on my/our behalf at the extraordinary general meeting of the Unitholders of the Fund and at any adjournment(s) thereof in relation to the extraordinary resolution specified in the Notice of Meeting dated 3 January 2024 (the “Resolution”).

Please indicate how you wish your proxy to vote in respect of the Resolution set out below by placing a ‘tick’ in the appropriate box under either ‘for’ or ‘against’.

Resolution:

THAT, the scheme of arrangement (the “Scheme”) for the merger of Diversified Income Fund (the “Fund”), a sub-fund of CCLA Authorised Contractual Scheme with CCLA Better World Cautious Fund, a sub-fund of CCLA Investment Funds ICVC, the terms of which are contained in a document dated 3 January 2024 and addressed to unitholders in the Fund, is hereby approved, and accordingly that the authorised contractual scheme manager and depositary of the Fund are hereby instructed to implement the Scheme in accordance with its terms.

In respect of the Resolution, I direct my proxy to vote: (see Note 2)

For:

Against:

Signed:

Date:

D	D	M	M	Y	Y
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Please complete and return this Proxy to us by 10:00 a.m. on 29 January 2024. A reply-paid envelope is enclosed.

Notes:

1. If you wish to appoint someone other than the Chairman of the meeting as your proxy, please delete “the Chairman of the meeting or” above and insert the name and address of your proxy or proxies, who need not be a Unitholder. Any such amendment must be initialed. To allow effective constitution of the meeting, if it is apparent to the chairman that no Unitholders will be present in person or in proxy other than by proxy in the chairman’s favour, then the chairman may appoint a substitute to act as proxy in his stead for any Unitholder, provided that such substitute proxy shall vote on the same basis as the chairman.
2. Please indicate with a tick how you wish to vote in respect of the resolution. If the Form of Proxy is signed and returned without any specific direction as to voting, the proxy is therefore directed to vote or abstain from voting as he or she thinks fit. You have a vote for each unit you hold in the Fund. If you do not wish to vote the same way in respect of all your units, please contact us.
3. To be valid, each Form of Proxy together with the authority (if any) under which it is signed (or a certified copy of that authority) must be returned together in the reply-paid envelope provided to CCLA Fund Managers Limited to be received not less than 48 hours before the time set for the meeting.
4. In the case of a body corporate this Form of Proxy must be executed under seal or signed on its behalf by an officer as attorney authorised in writing.
5. In the case of joint Unitholders any such Unitholder may sign, but in the event of more than one tendering votes, the vote of the senior who votes must be accepted to the exclusion of the other joint Unitholders. For this purpose, seniority must be determined by the order in which the names stand in the register of Unitholders.
6. On a poll, the voting rights attached to each unit are such proportion of the voting rights attached to all of the units in issue that the price of the unit bears to the aggregate price or prices of all units in issue at the qualification date for Unitholders. A Unitholder entitled to more than one vote need not, if he votes, use all his votes, or cast all the votes he uses in the same way.

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BECAUSE GOOD IS BETTER