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# Circus Capital Fund - Proposal of Transfer of Protected Growth Fund US Dollar Series 1

19 May 2006

The SFC has received queries from some investors regarding Circus Capital Fund's Circus Capital Protected Growth Fund US Dollar Series 1 transfer proposals (Note 1).

The SFC is aware that investors of Circus Capital Protected Growth Fund US Dollar Series 1 (PGF US\$ investors) have queries about the proposals, including the:

- deadline which PGF US\$ investors need to lodge proxies;
- disclosure surrounding the proposals; and
- effect of the proposals in relation to the offer of payments made by UKFP (Asia) HK Limited (formerly known as Towry Law (Asia) HK Limited) (UKFPAHK) following a settlement entered into between the SFC and UKFPAHK (Note 2).

The SFC notes that the proposals are separate to and independent of the settlement the SFC has reached with UKFPAHK.

Circus Capital Fund is the fund manager of Circus Capital Protected Growth Fund US Dollar Series 1, a company incorporated in the Cayman Islands. Circus Capital Fund is not related to UKFPAHK.

Circus Capital Fund is not licensed by the SFC. However, the SFC has reflected PGF US\$ investors' queries to directors of Circus Capital Fund.

Circus Capital Fund will provide a collection service for original proxies in Hong Kong up to 5 pm on Friday 26 May 2006. Those proxies should be sent to Circus Capital (Asia) Limited, 57th Floor, 5710 The Center, 99 Queen's Road Central, Hong Kong. It will then ensure that those proxies are forwarded to Guernsey, where the general meeting is held to consider the proposals, in time for them to be counted.

PGF US\$ investors may email queries that they have to Circus Capital Fund through [CCF@circuscapital.com](mailto:CCF@circuscapital.com) or contact Circus Capital Fund's Hong Kong office on (+852) 2119 8700 between 0900 and 1700 hours Hong Kong time.

The SFC makes no recommendation on the proposals and advises PGF US\$ investors to seek legal and independent financial advice in relation to any investment proposals that affect their existing investments.

The SFC notes that PGF US\$ investors may vote against the proposal if they are dissatisfied with it, a matter on which the SFC expresses no opinion. The SFC advises PGF US\$ investors who cannot vote in person, to be careful to lodge proxies in time.

Ends

Notes to Editor:

1. Please refer to [Circus Capital Fund's transfer proposals](#) attached.
2. Please see [press release dated 2 May 2006](#).

Page last updated : 1 Aug 2012

Important Note: This document is distributed on a confidential basis to the holders of shares in Circus Capital Fund's Protected Growth Fund - US Dollar Series 1. No person receiving a copy of this letter and its enclosed documents in any territory may treat the same as an offer to him. The contents of this letter and its enclosed documents should also not be construed as a recommendation or advice to the shareholders of the Protected Growth Fund - US Dollar Series 1 in relation to the subscription, purchase, holding or disposition of the shares in such sub-fund or any share in other sub-funds of Circus Capital Fund.

This document is important and requires your immediate attention. If you are in any doubt about this document, you should contact your stockbroker, bank manager, financial advisor, lawyer, accountant or other professional advisers.

To: The holders of Participating Shares attributed to Protected Growth Fund – US Dollar Series 1 and, for information only, to Deloitte & Touche (as Auditors of the Company), Circus Capital Limited (as Manager of the Company), Butterfield Bank (Cayman) Ltd (as Administrator and Registrar of the Company), Butterfield Fund Services (Guernsey) Limited (as Sub-Administrator and Sub-Registrar of the Company) and Butterfield Trust (Bermuda) Limited (as Custodian of the Company).

Date: 5 May 2006

Dear Shareholder

## **Circus Capital Fund (the "Company") – Protected Growth Fund – US Dollar Series 1 (the "US\$1 Fund")**

We are writing to you with regards to your investment in the US\$1 Fund and would urge you to **read in full** the contents of this letter as well as the enclosed report and **seek the advice of your financial adviser and other professional advisors** before making any decision regarding the proposal outlined in this letter and the enclosed documents (the "Proposal").

We also enclose with these documents a notice convening a general meeting of the holders of Participating Shares attributed to the US\$1 Fund at which a resolution to approve and consent to the Proposal will be proposed, together with a form of proxy to enable those not attending such meeting to vote on the Proposal.

### **Background**

As you will be aware the US\$1 Fund has performed poorly over the last few years due to investments made at the top of the equity markets with Scottish Mutual International ("SMI") and Clerical Medical International ("CMI"). There are significant Market Value Adjusters ("MVAs") (as defined in the Offering Memoranda dated 17th November 1999 and 16th September 2002) and despite improving markets SMI and, in particular, CMI have not been significantly reducing these MVAs.

The Board of Directors of the Company has been examining options in an attempt to improve the value for the US\$1 Fund shareholders. The attached report "US\$1 Fund Transfer Proposal" sets out the details of the Proposal, which the Board believes, offers the maximum benefit for shareholders from this point forward. The key points are as follows:

1. Current surrender value of the US\$1 Fund (as at 28 February 2006) is \$1.26 per share.
2. Forecast surrender value in June 2008, assuming there are no changes in various factors as outlined in the Proposal, is \$1.79 per share.
3. A route is proposed in order to gain better value today, by avoiding the cost of holding the assets until 2008.

4. Assets of the US\$1 Fund could be disposed of and value transferred to SGP US\$ Fund at a surrender value of c.US\$2.12 per share (indicative price based on fund prices as at 28th February 2006).
5. Investors should then be in a better quality fund with surrender value expected to grow.
6. US\$1 Fund investors' ongoing fund management fees should be significantly reduced after the transfer.
7. Investors transferred to SGP US\$ Fund are required to be locked in until December 2008, unless they take the immediate cash alternative.
8. Income facility added to allow up to 10% income withdrawal, with 5% guaranteed MVA free withdrawal annually.
9. As an alternative to the transfer value, shareholders may elect to take a cash payment of c.US\$2 per share.
10. Shareholders need to vote on the Proposal and a 75% majority of those voting is required to approve the Proposal

**We strongly recommend you read the enclosed report and consult a professional advisor before making any decision as to how you should vote in respect of the Proposal.**

The Proposal is likely to lead to some of the assets currently held by the US\$1 Fund being sold to a company, which is owned by the Manager of the US\$1 Fund, Circus Capital Limited. This is a specialist buyout vehicle established specifically to achieve higher values for With Profits policies than the insurance company surrender value. The price of any asset bought by this company is expected to be higher than the insurance company surrender value. Mr Paul Robinson is a Director and shareholder of Circus Capital Limited, as well as a Director of the Board of the Company. Mr Robinson has been involved in the preparation of this circulation and the accompanying documents and in the formulation of the Proposal. However, given Mr Robinson's dual interest, a committee of the Board of Directors of the Company, comprising all the Directors of the Company except Mr Robinson (the "Independent Directors") has been formed to review and consider the Proposal. Accordingly, the Board of Directors' view set out in this letter and the enclosed Proposal does not include the view of Mr Robinson. Mr Robinson does not express any view as to whether the Proposal is in the best interests of shareholders.

The Board do appreciate the US\$1 Fund has performed poorly. As discussed in previous communications to shareholders, the Board has examined a range of options to try to improve the prospects for the US\$1 Fund shareholders. The Independent Directors firmly believe, following full and careful analysis, this solution is the best for improving value for shareholders and as such the Independent Directors unanimously recommend you vote in favour of the Proposal.

Shareholders are urged to complete and return the enclosed form of proxy to reach Butterfield Fund Services (Guernsey) Limited, PO Box 211, Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3NQ by 29 May 2006.

The Board of Directors  
Circus Capital Fund

This document is distributed on a confidential basis to the holders of Circus Capital Fund's Protected Growth Fund - US Dollar Series 1. No person receiving a copy of this document in any territory may treat it as an offer to him.

The contents of this document should also not be construed as a recommendation or advice in relation to the subscription, purchase, holding, disposition or underwriting of the shares of the Protected Growth Fund US Dollar Series 1 or any other securities. If you are in any doubt about this document, you should consult your professional advisors.

**CIRCUS CAPITAL FUND**

**REPORT ON US\$1 FUND TRANSFER PROPOSAL**

**MAY 2006**

This document is prepared by the Independent Directors of the Board of Directors of Circus Capital Fund in respect of the Protected Growth Fund - US Dollar Series 1 (the "US\$1 Fund").

This document is distributed on a confidential basis to the shareholders of the US\$1 Fund. No action has been taken to permit the distribution of this document in any jurisdiction where action would be required for such purpose. No person receiving a copy of this document in any territory may treat it as an invitation to him to subscribe for, purchase, hold or dispose of the shares of the US\$1 Fund or any share of other sub-funds of Circus Capital Fund.

No offer or invitation to subscribe for, purchase, hold or dispose of the shares of the US\$1 Fund shall be made to the public in Hong Kong. This document has not been approved by the Securities and Futures Commission in Hong Kong nor has a copy of it been registered with the Registrar of Companies in Hong Kong and accordingly, this document is not addressed to the public of Hong Kong other than the shareholders of the US\$1 Fund or in other circumstances this document does not constitute an offer to the public for the purposes of the Hong Kong Securities and Futures Ordinance (Cap.571).

Investors or shareholders should take note of (i) the legal requirements (ii) possible legal and tax consequences and (iii) any foreign exchange restriction or exchange control requirement which they might encounter under the laws of the countries of their citizenship, residence, incorporation or domicile (if applicable) in respect of the Proposal set out in this document.

The analysis performed in this document is based on information available to the Independent Directors to date. Though the Independent Directors make every effort to use reliable, comprehensive information to formulate their opinion and analysis set out in this document, the Independent Directors make no representation that the information on which the Independent Directors rely to formulate their forecast or opinion is complete or absolutely accurate. Investors or shareholders should be aware that estimates or forecasts of future performance are based on assumptions that may not be realised and past performance is not necessarily a guide to future performance.

The contents of this document should not be construed as a recommendation or advice or representation that the Proposal is suitable or applicable to each shareholder's individual circumstances. Investors or shareholders should contact their financial advisors or other professional advisors if they are in doubt about the contents of this document.

This document or any portion hereof may not be printed, sold or redistributed without the written consent of the Board of Directors of Circus Capital Fund.

## Report on US\$1 Fund Transfer Proposal

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## The US\$1 Fund Transfer Proposal – Summary of Information

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### Why did I receive this letter and notice of meeting?

Anyone who is shown on the US\$1 Fund's shareholders register as at the date of this letter will receive this letter and a notice of meeting.

### What you need to know to understand how to vote on this notice of meeting

You are advised to contact your financial advisers or other professional advisers to discuss this US\$1 Fund Transfer Proposal and the potential change in their investment to Smoothed Growth Plus US\$ ("SGP US\$"). All investors will have different financial circumstances, which will need to be considered in determining whether to vote for or against this Proposal.

### What are US\$1 Fund's shareholders being asked to consider under the US\$1 Transfer Proposal?

At the meeting, US\$1 shareholders will be asked to consider and, if thought fit, pass the following resolution:

- (i) *to approve and consent to the proposals (the "Proposal") set out in the circular from the Company to the US\$1 Shareholders dated 5 May 2006, a copy of which is produced to the Meeting and signed by the Chairman of the Meeting for identification purposes and to all acts, matters and things, including without limitation the execution of any documents, which any Director of the Company (not having a material interest in the Proposal) may consider necessary or desirable for the implementation of the Proposal;*
- (ii) *without prejudice to the generality of (i) above, in accordance with Article 52(a) of the Articles of Association of the Company, to terminate the US\$1 Sub-Fund in accordance with the Proposal and the Articles of Association of the Company as amended in accordance with the consent given by this resolution (the "Articles"); and*
- (iii) *in accordance with Article 6(a) of the Articles, to consent to the following amendments to the existing Articles of Association of the Company, being amendments which do or may alter or abrogate the special rights attaching to the US\$1 Participating Shares, provided that such amendments are effected by special resolution of the Manager as holder of the Management Shares within one year of the date of this resolution:-*
  - (a) *all holders of Participating Shares attributed to the US\$1 Sub-Fund will be deemed to have irrevocably directed the Directors of the Company to apply the redemption price per Participating Share in the subscription of participating shares in the Company attributed to the Underlying Fund of the Company called Smoothed Growth Fund Plus Fund – USD Series at the subscription price per participating share applicable on the date of subscription and otherwise on the terms applicable to new investors in Smoothed Growth Plus Fund – USD Series subject to Participating Shareholders, in the period of one month from the date of termination of the US\$ Sub-Fund, being entitled instead to receive the redemption proceeds in cash by serving notice in writing on the manager of such election in that period;*
  - (b) *such other amendments as the Manager considers necessary or desirable in connection with the implementation of the Proposal;*
- (iv) *to agree that the Proposal be implemented during a period of not more than one year from the date of this resolution but otherwise at such time as the Manager considers appropriate and that the Manager be given discretion to implement the Proposal in the manner as it considers reasonable and appropriate and in the best interests of the US\$1 Shareholders.*

## **What are the objectives and major benefits of the US\$1 Transfer Proposal?**

The objective of the US\$1 Fund Transfer Proposal is aimed to improve the outlook for the shareholders in the Fund and maximise the final surrender value to shareholders. The Board of Directors (the 'Board') of Circus Capital Fund have been examining options in an attempt to improve value for US\$1 Fund's shareholders. The US\$1 Fund Transfer Proposal is considered by the Independent Directors of the Board (that is, all of the directors of Circus Capital Fund except Mr Paul Robinson) to be able to offer investors a better alternative than maintaining the current position.



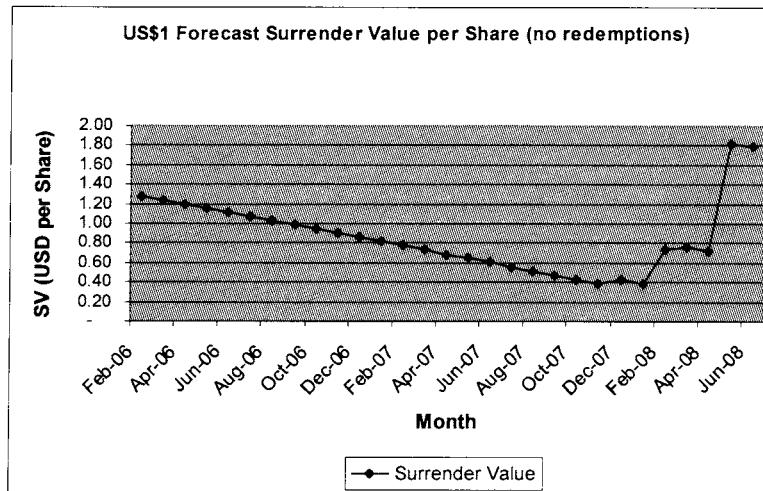
## Background and details of the Proposal

### Current surrender value is US\$1.26 per share

As you will be aware from previous fund updates, the CMI and SMI smoothed growth investments in US\$1 Fund have significant Market Value Adjusters (MVAs) in place of up to 35%. Because of the leverage in US\$1 Fund, this results in a fund MVA% of 73.71% and a net surrender value to investors of \$1.26 (assuming a redemption is made on 28th February 2006). All of these investments have MVA free guarantees, which are reached at various times between 2008 and 2011. There is a benefit in waiting for these guarantees as the surrender value is likely to rise as the guarantees are reached (see later graph). However, with the increasing US interest rate environment and ongoing operating costs in US\$1 Fund, it is increasingly becoming less beneficial to wait for these guarantee dates. In addition, CMI and SMI have again failed to offer any significant bonuses for 2006 and their underlying performance has lagged behind their competitors by considerable margins.

### With no changes by mid 2008 the surrender value could be US\$1.79 per share

Below we provide our indicative graphed analysis of the US\$1 Fund surrender value to 30th June 2008 assuming no action is taken and assuming there are no changes in MVAs, bonus rates, interest costs or exchange rates from 28th February 2006:



Note : Circus Capital Fund's estimates

After commencing at a current level at 28th February 2006 of US\$1.26, the surrender value might drop to a low of US\$0.38 in November 2007 before policy guarantees increase the value to \$1.79 at 30 June 2008. For an investor today, this equates to a return on surrender value of 42.1% over the period to 30th June 2008 or 16.3% per annum compounded return.

Under this scenario, investors would need to be prepared to stay in the Fund until at least May 2008 if they are to increase value from where they are today. In the intervening period, there is a risk of increasing interest rates and fluctuating exchange rates, which could worsen the position shown in the above graph. CMI or SMI might reduce their MVAs, which might reduce the rate of the price drop, but is now unlikely to improve the final forecast value significantly.

## The Board wants to offer a potentially better alternative

The Board has therefore continued to look at options for trying to reduce the costs and/or bring about the benefit of the guarantees earlier so as to reduce costs of waiting for those guarantees.

The US\$1 Fund Transfer Proposal looks to take advantage of the guarantees within the policies now and move investors into a larger pool of assets within SGP US\$. Whilst SGP US\$ follows a similar investment strategy to US\$1 Fund, it holds a pool of potentially stronger performing assets. Its assets are with the Prudential and Norwich Union, which have performed much better than SMI and CMI (see comparative bonus rates and returns later in this report). If the shareholders vote for the Proposal, the assets of US\$1 Fund would either be surrendered, sold to a specialist buyout vehicle (the "Buyout Vehicle") established by the Manager if it can generate a higher price, or bought by SGP US\$. The option which offers the highest price will be used in each case.

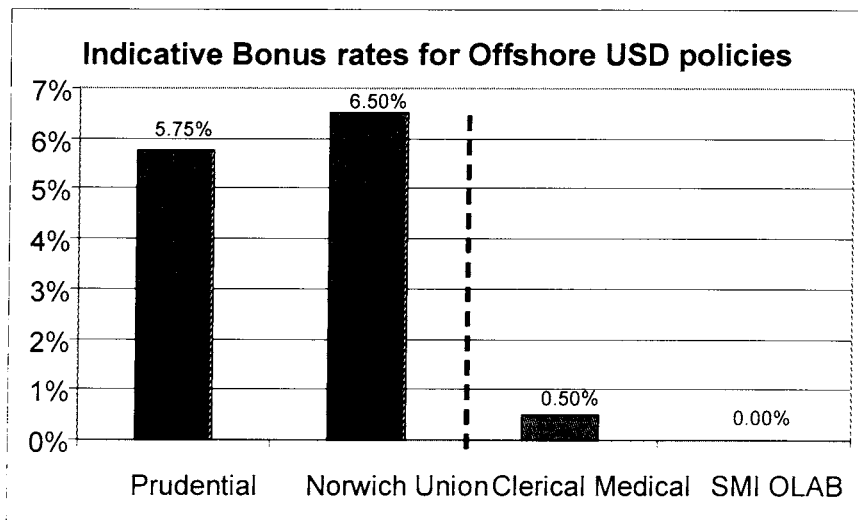
Investors would then be in a pool of assets that has better performing investments with more potential to grow, and that growth would be starting from a higher surrender value with no MVA. In addition, there would be cost savings meaning US\$1 Fund shareholders would face less costs per share in SGP US\$ than in a continuing US\$1 Fund scenario.

## Current surrender value of US\$1.26 today could increase to US\$2.12 into SGP US\$ Fund

Under the Transfer Proposal, US\$1 Fund's shareholders would obtain shares in SGP US\$ at a value of approximately US\$2.12 for their US\$1 Fund's shares as opposed to a surrender value in US\$1 Fund as at 28th February 2006 of US\$1.26 per share. This is as opposed to waiting until June 2008 in order to receive approximately US\$1.79. This US\$2.12 per share is an approximation of the "final transfer value" which is subject to change when the share issue is made. If the amount was to be below US\$2.12 then the Board would request shareholders to vote again. It is expected to be slightly above this figure.

## Reduces costs and improves prospects of growth

The major benefits other than the increase in the transferred surrender value are the reduction in costs and the benefit of being in a fund of potentially better performing assets. The graph below shows the declared bonus rates for the relevant companies for 2006. SGP US\$ holds Prudential and Norwich Union versus the CMI and SMI held by US\$1 Fund.



The table below shows the actual underlying asset performance for 2005 for the various companies and again you can see that the Prudential and Norwich Union Assets held by SGP have performed much better than US\$1 Fund's assets. The combined SGP underlying performance is based upon the current target asset allocation for SGP of 60% Prudential and 40% Norwich Union, although at the time of writing the Prudential weighting was c. 67% Prudential.

## Underlying Performance

SGP underlying funds			
<i>Performance of underlying investments year to 31 December 2005</i>			
	USD	EUR	GBP
	%	%	%
Prudential	6.20	20.60	20.00
Norwich Union	7.90	16.70	17.70
<b>SGP underlying assets</b>	<b>6.88</b>	<b>19.04</b>	<b>19.08</b>
CMI (GGF5)	4.10	14.00	13.50
SMI	4.40	13.30	11.60
Friends Provident			15.00

*NB: There are several series of CMI GGF and GGF 5 is used here as an example*

It should be remembered that US\$1 Fund has continued to hold the SMI and CMI policies for the future values of the guarantees versus the present surrender values, and so the difference in the performance shown above was not relevant. It is only the possibility of now bringing forward the benefit of those guarantees, via the Buyout Vehicle, that makes it appropriate to be comparing the future benefit of the better performing assets in SGP.

## Investment must be kept until December 2008

In order to make the Transfer Proposal work, shareholders will need to accept a lock in until December 2008. This means you will not be able to redeem your shareholding until after December 2008. The Board considers that many remaining shareholders may have already decided to remain invested until 2008 to see the benefit of the current guarantees at that point.

## Income facility made available of 10% per annum of which 5% is MVA free

The Board does also appreciate that the US\$1 Fund's poor performance and large MVAs have prevented some people from obtaining much needed income. There will therefore be the opportunity to take up to 10% of the new investment value in SGP US\$ without redemption penalty. Of this 5% will be MVA free. The additional 5% could be charged an MVA if one was in existence. On completion of the transfer there will initially be no MVA's on your new investment. Therefore you will be able to take up to 10% without MVA as soon as the transfer is completed.

## Summary of benefits

In summary, the US\$1 Fund Transfer Proposal is expected to produce a number of benefits including:

- Improved residual surrender value for US\$1 Fund's investors – approximately US\$2.12 per share versus US\$1.26 per share;
- Allowance of a 10% per annum withdrawal facility in the reinvested share class of SGP US\$ with up to 5% per annum MVA free;
- No transaction costs to be paid by US\$1 Fund's shareholders for the transfer;
- Reduces costs – reduced management fees and fixed costs by consolidating US\$1 Fund's investors into an existing sub-fund so increasing economies of scale;
- Access to better performing investments going forwards – investments in Prudential and Norwich Union smoothed growth funds held by SGP US\$ have performed better than US\$1 Fund's assets and have current declared bonuses of 5.75% for Prudential and 6.50% for Norwich Union; and
- Option of a cash alternative of approximately US\$2.00 per share now.

## Some Further Questions and Answers

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### What are the risks or disadvantages associated with the US\$1 Fund Transfer Proposal?

Some of the risks and disadvantages associated with the US\$1 Fund Transfer Proposal include:

- Limited liquidity until December 2008 due to a lock-in on the reinvested shares in SGP US\$ (however, subject to a withdrawal facility as noted above);
- Change in investment profile with no underlying guarantees on Prudential investments held by SGP US\$ (approximately 67% of the portfolio as at 28<sup>th</sup> February 2006, and targeted to be 60% going forwards);
- MVAs can still be applied in future to investments held by SGP US\$.

(Please refer to page 14 of this report for further details of risks or disadvantages.)

### What are the terms of new SGP US\$ shares?

The terms of the SGP US\$ shares are as follows:

- a lock-in applies from date of transfer until December 2008 when no redemption can be made;
- a 10% per annum withdrawal facility will be available which can be accessed during the lock-in period. Up to 5% of this withdrawal can be MVA free, so even if an MVA did exist, a 5% withdrawal could be taken without an MVA applying.

### Why does the new investment need to be locked in until 2008?

After the transfer to SGP US\$, the SGP US\$ will need to make some new investments with Prudential and Norwich Union. It is not practical for SGP US\$ to make these investments unless it can expect to hold the majority of them for a reasonable period. If all the shareholders redeem within a short period of the transfer then this could damage SGP US\$'s ability to manage its pool of assets effectively, as well as the important relationships with Prudential and Norwich Union.

### Do Shareholders have to vote?

Voting on the resolutions is at the discretion of each shareholder. The Directors of Circus Capital Fund urge all shareholders to vote so that they can have their say.

### What happens if I vote against the US\$1 Fund Transfer Proposal, but the resolutions are still passed?

If a shareholder votes against or abstains from voting on the resolutions and the required majority 75% is achieved to approve the resolutions, all shareholders will be bound by the resolutions. However, any shareholder who votes against the resolutions will be offered the chance to redeem his shares in the following month at a price of at least the surrender value at the dealing date preceding the transfer.

### When will the US\$1 Transfer Proposal be implemented?

The US\$1 Fund Transfer Proposal will be implemented on or about 31 May 2006.

## **What happens if the vote is passed and I have not responded?**

If the resolution is passed and no specific instructions to the contrary have been received by the shareholders then such shareholder will be automatically transferred into SGP US\$ as described in the Proposal.

## **What does Circus Capital think of the proposal ?**

Circus Capital Limited, being the Manager of US\$1 Fund, SGP US\$ and the Buyout Vehicle which is being used to underpin the offering to acquire investments from US\$1 Fund is not in a position to advise shareholders because of its interest in the transaction.

The Independent Directors of Circus Capital Fund (of which US\$1 Fund is a sub-fund) has determined that it is in the best interests of US\$1 Fund's shareholders for them to approve the proposal which would increase their net surrender value position from today's value (however, subject to the issues as set out in page 2 of this report).

## **How do I know that the price paid by the Buyout Vehicle for the guaranteed policies is fair**

The Independent Directors have asked KPMG to perform an independent assessment of the value of the policies. They have also sought any other offers that might give a better price. In deciding to recommend the offer from the Buyout Vehicle only the Independent Directors on the Board have voted and the Director who is a director and the owner of Circus Capital Limited has abstained.

## **How will the US\$1 Transfer Proposal proceed?**

The US\$1 Fund Transfer Proposal will involve US\$1 Fund's shareholders redeeming their holding in US\$1 Fund in full and in return, receiving shares in SGP US\$ equivalent to the "final transfer value", or cash option if so elected, as calculated in US\$1 Fund immediately prior to transfer.

The main steps to effect the US\$1 Fund Transfer Proposal are:

1. To hold a meeting of the US\$1 Fund 's shareholders to approve the Proposal
2. To notify all shareholders of the outcome of the meeting
3. If the US\$1 Fund Transfer Proposal is approved, to calculate a "final transfer value" for shareholders which will be higher than the current surrender value in US\$1 Fund, but lower than the current headline fund value (approximate calculation of US\$2.12 per share based on February fund information), and finalise the transfer to SGP US\$
4. Shareholders will receive shares in SGP US\$ which will include a lock-in to December 2008 (so shareholders cannot redeem until after December 2008) but will be able to access a 10% per annum withdrawal option of which 5% per annum can be MVA free. There will not be any redemption penalties after the lock-in period and no fees or charges incurred by the shareholder with respect to the transfer.

NB: The US\$1 Fund Transfer Proposal does not require cash to be paid by any shareholder.

## Evaluation of the US\$1 Transfer Proposal

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### Advantages to US\$1 Fund Shareholders

#### Higher surrender value for US\$1 Fund's shares

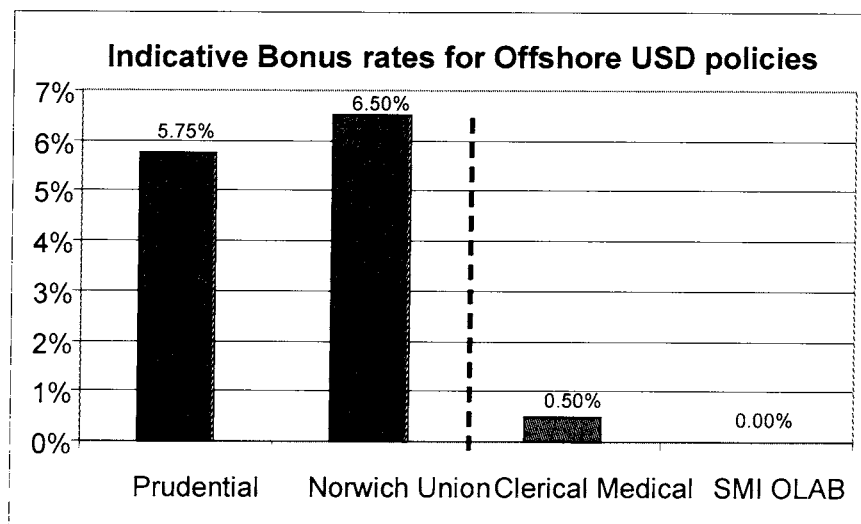
SGP US\$ has the ability to hold certain investments to the guarantee dates even if some US\$1 Fund's investors redeem earlier. In addition, Circus Capital Limited has set up a buyout structure which allows some of US\$1 Fund's existing policies to be bought out at a value higher than the current surrender value and these values are used to achieve the higher value transferred to SGP US\$. This is because the buy-out structure values the policies at the present value of the policy guarantee value rather than today's surrender value with SMI and CMI.

#### Increased portfolio performance prospects

Circus Capital Limited has assessed the probability of SMI and CMI reducing their MVAs on US\$1 Fund held policies to zero over the period until guarantees are reached as low. Therefore, the only benefit for US\$1 Fund's investors to remain in US\$1 Fund is to achieve the guaranteed value of the policies. As the guarantees are reached at varying times from 2008 to 2011, ongoing loan interest and other costs of operating the US\$1 Fund will continue to deteriorate the prospective final surrender value.

#### Better Performance of SGP Assets

The graph below shows the declared bonus rates for the relevant companies for 2006. SGP US\$ holds Prudential and Norwich Union versus the CMI and SMI held by US\$1.



The table below shows the actual underlying asset performance for 2005 for the various companies and again you can see that the Prudential and Norwich Union Assets held by SGP have performed much better than US\$1 Fund's assets. The combined SGP underlying performance is based upon the current target asset allocation for SGP of 60% Prudential and 40% Norwich Union, although at the time of writing the Prudential weighting was c. 67% Prudential.

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### Access to lower cost share class in SGP US\$

The US\$1 Fund Transfer Proposal proposes for US\$1 Fund's investors to reinvest into new shares established solely for transferred US\$1 Fund's holders. This share class will not pay any up front commission to financial advisers and will not have any redemption penalties once the initial lock-in term to December 2008 has been satisfied.

### Reduced sub-fund expenses

Implementation of the US\$1 Fund Transfer Proposal will decrease the level of fees and expenses, which are currently charged to US\$1 Fund based on net asset value. As the final redemption value for US\$1 Fund investors is lower than the current net asset value (as MVAs are not included in the calculation of net asset value) the equivalent average amount of fees chargeable to US\$1 Fund investors in SGP US\$ will also be less.

In addition fees such as audit costs, custodian and administration fees will be spread over a greater number of investors in one fund rather than two thus reducing the per share impact of fixed costs.



## **Disadvantages and risks of the US\$1 Fund Transfer Proposal**

The following outlines the disadvantages and risks associated with the US\$1 Fund Transfer Proposal and a number of general and specific risks which may impact on the value and future performance of SGP US\$. Certain risks that are beyond the control of Circus Capital Fund or its Manager, Circus Capital Limited, could cause SGP US\$ to fail to meet its strategic objectives. Although it is not possible to anticipate or set out all possible risks associated with smoothed growth investments, the following highlights several risks of which shareholders should be aware.

### **Reduced liquidity**

The US\$1 Fund Transfer Proposal proposes for US\$1 Fund's investors to reinvest into a share class in SGP US\$ which has a lock-in until December 2008. This means that investors will not be able to redeem their holding until after December 2008. The majority of investors in US\$1 Fund would have already achieved, or be close to achieving, their requirement to hold their investment for 5 years before redemption penalties (not including MVAs) disappear.

### **No Prudential guarantees**

Prudential smoothed growth fund investments, which makes up 67% of the SGP US\$ portfolio as at 28 February 2006 do not have underlying guarantees on their policies. In contrast, all remaining policies held by US\$1 Fund have MVA free guarantees, which mean that at some specified point in the future, an MVA is guaranteed not to apply. The starting point in the new fund will be, at US\$2.12 or more, higher than the expected payout of the guarantees in the current US\$1 Fund.

Prudential policies are also marked closer to market on a monthly basis, which means that short term fluctuations in markets can translate directly to fluctuations in fund MVAs.

### **General risks**

Please read the Risk Section in the SGP US\$ Offering Memorandum which begins on page 10. The Offering Memorandum is available in the following ways:

1. Download from [www.circuscapital.com](http://www.circuscapital.com)
2. Request by email from [info@circuscapital.com](mailto:info@circuscapital.com)
3. Request in writing from Maples and Calder, 1504 One International Finance Centre, 1 Harbour View Street, Hong Kong.