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16th August 2012

Dear Investor,

Cenkos Diversity Fund – Entry into UK Reporting Fund Regime

THIS COMMUNICATION IS RELEVANT TO UK INVESTORS AND INVESTORS THAT ARE REPORTING FUNDS

The Cenkos Diversity Fund (“the Fund”) was entered into the UK “reporting fund” regime to enable UK investors to benefit from capital gains tax treatment on any gains made on the disposal of units, rather than be subject to income tax rules, as would otherwise be the case. The Fund’s date of entry into the regime was 1st October 2011.

Unitholders should be aware that the Fund did not have “distributing fund” status under the UK’s former tax regime for non-UK resident funds that applied to the Fund. Accordingly, any disposal of units acquired in the period from inception to 30th September 2011 will be taxed to income as an ‘offshore income gain’. However, such Unitholders may be able to make an election under Regulation 48 of the Offshore Funds (Tax) Regulations 2009 No. 3001 to crystallise an offshore income gain at 30th September 2011. This will enable any future gains to be taxed as capital provided the Fund retains its reporting fund status.

Please note that this election is not relevant to any investors who acquired units in the Fund after 30th September 2011.

Procedurally, the election under Regulation 48 should be made in the Unitholder’s tax return which includes the date 30th September 2011. For individuals this will be the 2011/12 tax return. We have been advised that Unitholders who have already submitted a tax return for 2011/12 but have yet to make this claim may be able to send in an additional disclosure for that return WITHIN ONE YEAR.

For an income tax return it is recommended that an entry is made in the white space at the end of the tax return form. We have included below some suggested disclosures and the reference to box 41 is in respect of the supplementary Tax Return Form s106 (‘Foreign Income’):

Scenario 1 – Offshore Income Gain at 30/09/11

I have an investment in the Cenkos Diversity Fund which I have held prior to 1 October 2011. The fund was a non-reporting fund until its entry into the reporting fund regime with effect from 1 October 2011.

As at 30 September 2011 my investment in the Cenkos Diversity Fund was standing at a gain and I hereby elect under Regulation 48 (Offshore Funds (Tax) Regulations 2009 No. 3001) to crystallise a notional disposal of this holding at market value as at 30 September 2011. This notional disposal is taxed to income as an offshore income gain and is included in box 41 of this tax return and the calculation of the offshore income gain is as follows:

Deemed disposal proceeds at £112.25 per unit	[X]
Cost	[Y]
Offshore income gain	[X-Y]

Scenario 2 – No Offshore Income Gain at 30/09/11 (i.e. loss position)

I have an investment in the Cenkos Diversity Fund which I have held prior to 1 October 2011. The fund was a non-reporting fund until its entry into the reporting fund regime with effect from 1 October 2011.

As at 30 September 2011 my investment in the Cenkos Diversity Fund was standing at a loss and so I am unable to make an election to crystallise an offshore income gain under Regulation 48 (Offshore Funds (Tax) Regulations 2009 No. 3001). Therefore under Regulation 17 (3)(d), no charge to tax arises and any disposals of this fund post 30 September 2011 will be chargeable to capital gains tax.

This communication is for information purposes only and should not in any way be regarded as tax advice and should not be relied upon. We recommend that Unitholders of the Fund who may be affected should contact their own tax advisors regarding the making of this election. Additional information on Regulation 48 can be found at the following website address:
www.hmrc.gov.uk/manuals/ofmanual/ofm19000.htm

Reporting Income for Tax Return Purposes

Under the reporting regime the Fund is required to disclose certain information to UK investors and other reporting funds for each reporting period. Individual UK investors will be required to include in their UK tax returns details of all distributions received during the tax year, and this should also include the excess of reportable income over amounts distributed as disclosed on our website.

The first reporting period is the period from 1st October 2011 to 30th September 2012 and the information that is required to be provided to investors in respect of this reporting period will be made available in the Documents section of our website www.cenkos-ci.com or directly from the Manager at the relevant time (which will be during the first half of 2013). This communication and relevant information to assist Unitholders with future UK tax returns has been reproduced and will also be maintained on the Fund's website.

If you have any questions regarding this communication please contact us at:

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Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark Bousfield".

Mark Bousfield