

engage Mutual Investment Funds ICVC

simplified prospectus



engage
Mutual Assurance

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General

engage Mutual Investment Funds ICVC ("eMFL ICVC") is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC00044 and authorised and regulated by the Financial Services Authority ("FSA") with effect from 7 October 1999. The Company has been certified by the FSA as complying with the conditions necessary for it to enjoy rights conferred by the EC Directive on Undertakings for Collective Investment in Transferable Securities. The Company has an unlimited duration. **engage** Mutual Assurance is the principal distributor of the Shares in the Company. The base currency of the fund is UK Sterling.

The Company is structured as an umbrella company, in that different Funds may be established from time to time by the Authorised Corporate Director ("ACD") with the approval of the FSA. On the introduction of any new Fund or Class, a revised prospectus will be prepared setting out the relevant details of each Fund or Class.

The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. The Funds are:

engage Investment Growth Fund
engage High Income Fund

Several Classes of Share may be issued in respect of each Fund. The Investment Growth Fund may make available Class A net income Shares,

Class A net accumulation Shares and CTF Class net accumulation shares. The High Income Fund may make available both Class A net income shares and Class A net accumulation shares.

Authorised Corporate Director

The ACD of the Company is **engage** Mutual Funds Limited which is a private company limited by shares incorporated in England and Wales on 15 July 1996.

Registered Office:

Hornbeam Park Avenue, Harrogate
HG2 8XE

Head Office:

Hornbeam Park Avenue, Harrogate
HG2 8XE

Ultimate Holding Company:

Homeowners Friendly Society Limited, incorporated in England and Wales

The Depositary

Bank of New York Trust and Depositary Company Limited is the Depositary of the Company. The Depositary is responsible for the safekeeping of all the scheme property of the Company and has a duty to take reasonable care to ensure that the Company is managed in accordance with the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares and relating to the income of the Funds. It is a private company limited by shares incorporated in England and Wales.

The appointment of the Depositary has been made under an agreement dated 29 October 1999 between the Company and the Depositary.

Registered Office:

1 Canada Square, London E14 5AL

Head Office:

1 Canada Square, London E14 5AL

Ultimate Holding Company:

Bank of New York Company Inc., a company incorporated in the State of New York, USA.

Principal Business Activity:

Trustee and Depositary services

The Auditors

The auditors of the Company are Deloitte Touche of 1 City Square, Leeds, LS1 2AL

Investment Information

What are the scheme's objectives?

engage Investment Growth Fund

Investment Objective and Policy:

The investment objective of the Fund is to track the capital performance of the FTSE 100 Index within the terms of the applicable regulations and to achieve a gross income yield equal to that of the Index. It is managed on a fully invested basis and its portfolio comprises shares and related securities in the 100 companies listed in the United Kingdom which make up that Index.

Classes of Share available:

Class A Net Accumulation Shares
CTF Class Net Accumulation Shares

Launch date:

19 November 1999

Origin of the Fund:

This Fund was formed from the conversion of the Homeowners Investment Growth Fund, an authorised unit trust established by a trust deed dated 20 December 1996.

engage High Income Fund

Investment Objective and Policy:

The investment objective of the Fund is primarily to provide investors with a high level of income by investing in superior quality corporate bonds and similar types of securities. It is managed on a fully invested basis in an actively managed portfolio of securities listed on registered stockmarkets in the United Kingdom and other member states of the European Union.

Classes of Share available:

Class A Net Income Shares
Class A Net Accumulation Shares

Launch Date:

19 November 1999

Origin of the Fund:

This Fund was formed from the conversion of the Homeowners High Income Fund, an authorised unit trust established by a trust deed dated 20 December 1996.

Aims of eMIF ICVC

- To allow you to invest in the **engage** Investment Growth Fund, which aims to help your savings grow free of tax over the medium to long term, by investing in shares of companies listed on the FTSE® 100 Index in the UK
- Or to invest in the **engage** High Income Fund, which aims primarily to provide investors with a regular income, by investing in corporate bonds and similar types of securities listed on UK or EU stock markets.

What is the investment policy?

Growth Fund - It is managed on a fully invested basis and its portfolio comprises shares and related securities in the 100 companies listed in the United Kingdom which make up that Index.

Income Fund - invests in superior quality corporate bonds and similar types of securities. It is managed on a fully invested basis in an actively managed portfolio of securities listed on registered stockmarkets in the United Kingdom and other member states of the European Union.

Each Fund may deal through securities markets established in an EEA State on which transferable securities admitted to official listing in

the member State are dealt in or traded. In addition, up to 10% in value of any Fund may be invested in transferable securities which are not approved securities. Each Fund may also deal through the following eligible derivatives markets: The London International Futures & Options Exchange (LIFFE) and The Chicago Mercantile Exchange.

Index Tracking

The investment objective of the **engage** Investment Growth Fund is to track the capital performance of the FTSE 100 Index within the terms of the applicable regulations and to achieve a gross monthly yield equal to that of the Index

What are the risk factors?

Your cash lump sum payout will depend on investment performance, and cannot be guaranteed. The value of your savings can fall as well as rise, and you may not get back the amount you invested.

Details of all the risks actually mentioned in the Simplified Prospectus may be found in the full prospectus.

- If you decide to exercise your cancellation rights, you may not get back the full amount of your investment if the value of the investment falls during the cancellation period.
- No advice on investments has been given. If you are unsure as to the suitability of the investment you should seek advice from an Independent Financial Adviser. You may be charged for this advice.

- The tax treatment of your investment may change in the future.
- If the income earned by the fund is not sufficient to cover the charges and expenses incurred, the balance will be charged to the capital, which would affect the capital growth of the fund.

RISK FACTORS

Potential investors should consider the following risk factors before investing in the Company (or in the case of specific risks applying to specific Funds, in those Funds).

General

The investments of the Company are subject to normal market fluctuations and other risks inherent in investing in securities. There can be no assurance that any appreciation in value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount invested in the Company. There is no assurance that the investment objectives of any Fund will actually be achieved.

This fund is marketable to all retail investors.

Effect Of Initial Charge

The Company does not impose an initial charge. In addition, we do not impose a redemption charge.

Dilution

Investors should note that, as no dilution levy is applied on the sale or redemption of Shares, the actual cost of purchasing or selling a Funds

investment may be higher or lower than the mid-market value used in calculating the Share Price, and this may have an adverse effect on the Shareholders' interest in the Fund.

Suspension Of Dealings In Shares

Investors are reminded that in certain circumstances their right to redeem Shares may be suspended.

Liabilities Of The Company

Although each Fund so far as possible will be treated as bearing the liabilities, expenses, costs and charges attributable to it, if its assets are not sufficient the ACD may re-allocate assets, liabilities, expenses, costs and charges between the Funds in a manner which it believes is fair to the Shareholders of the Company generally. The ACD would normally expect any such re-allocation to be effected on a pro rata basis having regard to the Net Asset Values of the relevant Funds. If there is any such re-allocation the ACD will advise Shareholders of it in the next succeeding annual or half-yearly report to Shareholders.

Shareholders are not, however, liable for the debts of the Company. A Shareholder is not liable to make any further payment to the Company after he has paid the purchase price of the Shares.

Credit Risk

There is a credit risk associated with investing in corporate bonds. Some corporate bonds are more risky than others. An issuer may default in payment of interest or repayment of the debt obligation resulting in zero

or reduced returns from that issuer for the bond fund.

There is a credit risk associated with investment in any company share. A company may become insolvent or otherwise unable to pay its debts in which case shareholders rank behind other creditors for the repayment of their capital. Any such default may result in zero or reduced returns from investment in that company.

Currency Exchange Rate Risk

Currency fluctuations may adversely affect the value of a Fund's investments and, depending on an investor's currency of reference, currency fluctuations may adversely affect the value of an investment in Shares.

Performance Risk

The performance of each Fund will vary depending on the individual fund selections made by the manager as well as the risk associated with the Fund's investments in securities the price of which is subject to normal market fluctuations. The Funds do not have any guarantees of performance provided by third parties.

Risks To Capital

There may be a risk to the capital value of the Funds through the withdrawal or cancellation of shares caused by the effect of dealing costs on the cash resources of the Fund. In such a case a dilution levy may be charged. If, for whatever reason, there is a distribution of income to a Fund which is in excess

of investment returns the capital value of the Fund may be negatively affected.

Inflation Risk

Inflation Risk is the risk that over time the performance of the Fund will be eroded by inflation. Inflation is the increases in general prices over time. The effect of inflation over time is that purchasing power in terms of the goods or services that can be bought by each pound is reduced.

Tax

Taxation levels, bases and reliefs are those currently applicable and can be subject to regulatory change.

The value of any tax relief will depend upon your individual circumstances.

The tax treatment of your investment may change in the future.

Who is the Scheme designed for?

The Company is marketable to retail investors. Retail investors will wish to invest depending on the suitability of the investment objectives and risk factors applicable to each Fund. If a retail investor is unclear as to whether this is an appropriate investment to meet their needs then they should seek independent financial advice.

Economic Information

What is the tax regime applicable to the Scheme?

General

The information below is a brief general summary of the information contained in the Prospectus. It is based on current United Kingdom law and HMRC practice, both of which are subject to change. It summarises the tax position of the Company and of investors who are United Kingdom resident and hold Shares as investments.

Prospective investors who are in any doubt about their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are recommended to take professional advice.

Tax on the Funds

The Funds are exempt from UK tax on capital gains realised on the disposal of investments held within them. This means gains that the Funds make (if any) on buying and selling investments are not subject to UK capital gains tax.

Income received by a Fund from transactions in futures or options contracts is exempt from tax. The Funds will each be subject to corporation tax at 20% on other types of income but after deducting allowable expenses which include the gross amount of any interest-type distributions made. Where a Fund suffers foreign tax on income received, this may be deducted from the UK tax due on that income.

Tax on what an investor may receive

The value of any tax relief will depend upon your individual circumstances.

Taxation levels, bases and reliefs are those currently applicable and can be subject to regulatory change.

Shareholders

Income

The type of distribution made by a Fund will depend on its investments. **engage** High Income Fund will make interest distributions. These will be automatically reinvested in the Fund in the case of net accumulation shares. These will be subject to income tax and are paid with a 20% income tax credit. The tax credit attached to the interest distribution will satisfy the tax liability of Shareholders subject to starting (10%) or basic (22%) rate income tax. Shareholders liable to income tax at the higher (40%) rate must pay further tax of 25% of the net interest payment.

Shareholders liable to pay corporation tax will be treated as receiving interest with a 20% income tax credit attached.

engage Investment Growth Fund will pay dividend distributions. These will be automatically reinvested in the Fund in the case of accumulation shares. UK resident individuals liable to income tax at the starting or basic rate will have no further liability to tax. Higher rate taxpayers will have to pay income tax of 25% of the net distributions.

Corporate Shareholders who receive dividend distributions may have to divide them into two (the division will be indicated on the tax voucher). Any part representing dividends received from a UK company will be treated as dividend income (that is, franked investment income) and no further tax will be due on it. The remainder will be received as an annual payment after deduction of income tax at the lower rate, and corporate shareholders will be liable to tax on the grossed up amount.

Capital Gains

Shareholders who are resident in the UK for tax purposes may (except for investors through Child Trust Funds, Personal Equity Plans or Individual Savings Accounts) be liable to capital gains tax or, if a company, corporation tax in respect of gains arising from the sale, exchange or other disposal of Shares (but not on switches between Classes within a Fund). Where net accumulation shares are held, accumulated income (excluding any equalisation paid) should be deducted when calculating the gain.

Individual Shareholders will find further information, including details of indexation allowance and taper relief, in the HMRC Help Sheets for the capital gains tax pages of their tax returns.

Stamp Duty Reserve Tax

SDRT arises on the surrender (i.e. the redemption or switching) and transfers on the register of Shares. The charge is 0.5% of the value of surrenders and transfers in each Fund each week reduced

proportionately to the extent that during that week and the following week the:

- (1) investments held by the Fund are exempt assets that is, broadly, any assets other than United Kingdom equities (this will reduce the charge to nil where a Fund is invested entirely in exempt assets); and
- (2) purchases of Shares are less by number than surrenders of Shares.

Any SDRT payable by a Fund is technically the liability of the Company and there are various ways in which it may recover the cost. It may be borne by the Fund or the ACD may charge an SDRT provision increasing the amount paid for units on their acquisition and/or decreasing the amount received on redemption.

The ACD has decided that any SDRT will normally be borne by the Fund in question whatever the size of the deal. The ACD considers that paying SDRT out of each Fund will not have a significant effect on performance.

What expenses and fees are payable on the Scheme?

Charges payable to the ACD

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Fund, not exceeding, for shares, a charge of 2% per annum of the Net Asset Value of the Fund calculated on a mid-market basis. The annual management charge accrues daily and is payable monthly. The current management charges for each Fund (expressed as

a percentage per annum of the Net Asset Value of each Fund) are as follows:

engage Investment Growth Fund - Class A Shares: 1% p.a.

engage Investment Growth Fund - CTF Class Shares: 1.5% p.a.

engage High Income Fund Class A Shares: 1% p.a.

VAT is payable on these charges or expenses where appropriate. Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee may be charged against capital instead of against income. This will only be done with the approval of the Depositary.

This treatment of the ACD's fee will increase the amount of taxable income available for distribution to Shareholders in the Fund concerned, but will constrain capital growth.

If a Class's expenses in any period exceed its income the ACD may take that excess from the capital property attributable to that Class.

The ACD may not introduce a new category of remuneration for its services or increase the current rate or amount of its remuneration payable out of the scheme property or the preliminary charge or any redemption charge within the relevant maximum unless, not less than 90 days before the introduction or increase, the ACD gives notice in writing of the introduction or increase and the date of its

commencement to all Shareholders and has revised and made available the Prospectus to reflect the introduction or new rate and the date of its commencement.

In order to increase its annual fee above the relevant maximum, the ACD would require the approval of an ordinary resolution of Shareholders at an Extraordinary General Meeting.

Investment Manager's fee

The Investment Manager's fees and expenses (plus VAT thereon) will be paid by the ACD out of its remuneration under the ACD Agreement.

Depositary's fee

The Depositary is entitled to take an annual fee out of each Fund of 0.02% per annum of the Net Asset Value of the Fund plus VAT, subject to a maximum rate of 0.05% per annum plus VAT. The Depositary is also entitled to custody fees, which are currently 0.02% per annum in respect of UK securities and 0.09% per annum for overseas securities. The remuneration is calculated, accrues and is paid on the same basis as the ACD's annual management charge. The Depositary's annual fee and custody fees combined are subject to a minimum annual fee of £2,500 per Fund.

A transaction charge of £10 for UK securities and £50 for overseas securities is also payable per trade to the Depositary for each Fund. In addition to the above fee payable to the Depositary, the amount payable to the Depositary out of the scheme property by way

of remuneration for its services may include charges in connection with its duties (or the exercise of powers conferred upon it by the COLL Sourcebook).

The amount or rate of any service charges shall be determined either by the Depositary or by reference to the scale or tariff or other basis from time to time agreed between the ACD and the Depositary and notified to the ACD by the Depositary provided that in either case such charges shall be at least as favourable as if they had been effected on normal commercial terms negotiated at arm's length between the Depositary and a comparable customer.

Any service charges or additional remuneration payable to the Depositary as above shall accrue due when the relevant transaction or other dealing is effected or relevant service is provided or as may otherwise be agreed between the Depositary and the ACD but not later than on the last business day of each month and shall be paid to the Depositary as soon as practicable after they have accrued.

On a winding-up of the Company, termination of a Fund or the redemption of a Class the Depositary is entitled to its pro rata fees and expenses to the date of winding up, termination or redemption and any additional expenses necessarily realised in settling or receiving any outstanding obligations. No compensation for loss of office is provided for in the agreement with the Depositary.

In relation to Class A and CTF Class Shares, however, the Depositary's fees, service charges, additional remuneration and expenses (plus VAT thereon) will be paid by the ACD out of its remuneration under the ACD agreement.

Third party expenses

In relation to shares, the Administrator, Auditor, Custodian, Depositary and Registrar will be paid by the ACD out of the fees and expenses payable to the ACD. Any shortfall will be met by the ACD.

Allocation of fees and expenses between Funds

All the above fees, duties and charges (other than those borne by the ACD) will be charged to the Fund in respect of which they were incurred but where an expense is not considered to be attributable to any one Fund, the expense will normally be allocated to all Funds pro-rata to the value of the Net Assets of the Funds, although the ACD has discretion to allocate these fees and expenses in a manner which it considers fair to Shareholders generally.

Dealing Charges

Initial charge:

The ACD may impose a charge on the sale of Shares which is included in the published purchase price. There is currently, however, no initial charge in respect of shares in each Fund.

The maximum charge permitted in each Fund is 7% of the amount invested by the prospective Shareholder. Any initial charge is payable to the ACD.

Redemption Charge:

The ACD may make a charge on the redemption of Shares. At present no redemption charge is levied. Shares of either class issued while this Prospectus is in force will not be subject to any redemption charge in the future.

The ACD may not introduce a redemption charge on Shares unless, not less than 90 days before the introduction, it has given notice in writing of that introduction and has revised and made available the Prospectus to reflect the introduction and the date of its commencement. In the event of a change to the rate or method of calculation of a redemption charge, details of the previous rate or method of calculation will be available from the ACD.

Switching Fee:

On the switching of Shares between Funds or Classes the Instrument of Incorporation authorises the Company to impose a switching fee.

How will charges and expenses effect my investment?

An annual management fee is charged. This is currently 1% on all classes except the CTF Class Shares, where the charge is 1.5%. It is calculated daily on the value of the fund and is deducted every day from income. There are no other charges. The effect of this charge on a single payment of £5,000 into Class A Shares and £20 per month into CTF Class Shares, assuming growth of 7% a year, is set out in the following tables.

The figures are not guaranteed and serve only to demonstrate the effect of charges and expenses on an investment.

Class A Shares

at end of year	investment to date (£)	effect of deductions to date (£)	what you might get back at 7% per annum (£)
1	£5,000	£53	£5,290
3	£5,000	£181	£5,940
5	£5,000	£342	£6,670
10	£5,000	£936	£8,890

- The last line in the table shows that over 10 years the effect of the total of expenses could amount to £936.
- Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 5.9% a year.

CTF Class Shares

Fund with lifestyling: £20 per month

at end of year	investment to date (£)	effect of deductions to date (£)	what you might get back at 7% per annum (£)
1	£490	£6	£510
2	£730	£16	£785
3	£970	£32	£1,070
4	£1,210	£53	£1,370
5	£1,450	£81	£1,700
10	£2,900	£361	£3,890
15	£4,100	£941	£6,340
17	£4,580	£1,250	£7,270

CTF Class Shares
Fund without lifestyling: £20 per month

at end of year	investment to date (£)	effect of deductions to date (£)	what you might get back at 7% per annum (£)
1	£490	£6	£510
2	£730	£16	£785
3	£970	£32	£1,070
4	£1,210	£53	£1,370
5	£1,450	£81	£1,700
10	£2,900	£361	£3,890
15	£4,100	£957	£6,440
17	£4,580	£1,320	£7,670

- The last line in each table shows that over 17 years the effect of the total charges and expenses could amount to £1,250 with lifestyling and £1,320 without lifestyling.
- Putting it another way, this would have the same effect as bringing investment growth from 7% a year down to 4.8% a year with lifestyling and down to 5.4% without lifestyling.

Will any Commission be paid?

Remuneration may be payable if you are introduced by a third party. The third party may also receive services from the ACD. The commission and services are paid for out of the annual management charge.

Commercial Information

How do I buy Shares?

Procedure:

Shares can be bought by sending a completed application form and

cheque to the ACD at Hornbeam Park Avenue, Harrogate HG2 8XE. Application forms may be obtained from the ACD or by telephoning the ACD on 0800 298 3233.

The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant.

Any subscription monies remaining after a whole number of Shares has been issued will not be returned to the applicant. Instead, smaller denomination shares will be issued. A smaller denomination share is equivalent to one ten thousandth of a larger denomination Share.

An applicant has the right to cancel his application to buy Shares at any time during the cancellation period (see relevant Key Features Document for timescales). If an applicant decides to cancel the contract, and the value of the investment has fallen at the time the ACD receives the completed cancellation notice, he will not receive a full refund as an amount equal to any fall in value will be deducted from the sum originally invested.

Documents the purchaser will receive:

A contract note giving details of the Shares purchased and the price used will be issued by the end of the business day following the later of receipt of the application to purchase Shares or the valuation point by reference to which the

purchase price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

Settlement is due on receipt by the purchaser of the contract note. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application, which must be received with the application. If settlement is not made or does not clear, then the ACD has the right to cancel any Shares issued in respect of the application.

Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Company's Register of Shareholders. Statements in respect of periodic distributions on Shares will show the number of Shares held by the recipient. Individual statements of a Shareholder's (or, when Shares are jointly held, the first-named holder's) Shares will also be issued at any time on request by the registered holder.

The Company has power to issue bearer shares but there are no present plans to do so.

Minimum subscriptions and holdings:

For lump sum investments, the minimum subscription for shares is £500 in any Fund. For regular premium investments the minimum subscription is £20 per month. Shareholders must maintain a minimum holding of shares of £200 in value in each Fund. The ACD may at its discretion accept subscriptions and/or holdings lower than the

minimum amount(s).

If following a redemption a holding should fall below the minimum holding the ACD has a discretion to require redemption of the entire holding.

Cancellation rights

There is no statutory right to cancellation on this product unless you receive advice from a Financial Adviser. However the society does allow you the right to cancel, please see the product Key Features for details of the cancellation period. If you decide to cancel you will receive back the value of your account at the date the cancellation notice is received by us. If the share price has fallen between the day your shares were bought and the day they were sold, you will not get back the full amount.

In the case of a Child Trust Fund the account will be cancelled and the voucher will be returned. Where the Child Trust Fund is a Revenue Allocated Account there is no cancellation period.

If you receive advice from a financial adviser you may have statutory cancellation rights, under which you have 14 days in which you can change your mind. This period is included in the cancellation period shown in the Key Features.

How do I sell Shares?

Procedure:

Every Shareholder has the right to require that the Company redeem his Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to redeem will mean that the Shareholder will hold Shares with a value less than the required minimum holding, in which case the Shareholder may be required to redeem his entire holding.

Requests to redeem Shares may be made to the ACD in writing at Hornbeam Park Avenue, Harrogate, HG2 8XE.

There may be exceptional circumstances in which the redemption of shares may be suspended, for example if the market value cannot be accurately determined. In this event dealing would be suspended following consultation with the Depositary and recommenced as soon as possible. Recalculation of the price will be at the valuation point on the business day that dealing recommences.

Documents the Seller will receive:

For all investments (except Child Trust Fund), a contract note will be sent within one business day giving details of the number and price of Shares sold and will be sent to the selling Shareholder (the first-named, in the case of joint Shareholders) no later than the end of the business day following the later of the request to redeem Shares or the valuation point by reference to which the redemption price is determined. Payment in

satisfaction of the redemption monies will be issued within four business days of the later of (a) receipt by the ACD of the form of renunciation (or other sufficient written instructions) duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title, and (b) the valuation point following receipt by the ACD of the request to redeem. Settlement may be delayed if the investor's identity needs to be verified for money laundering purposes.

Minimum redemption:

Part of a Shareholder's holding may be sold but the ACD reserves the right to refuse a redemption request if the value of the Shares of any Fund to be redeemed is less than £250.

Dealing in shares

Shares are normally valued at 12 noon each business day in order to determine the prices at which they are bought and sold, which is the mid-price between the buying and selling prices of the underlying assets of the fund in question. This is known as the valuation point. Shares will be bought on your behalf at the valuation point calculated after receipt of your application and cheque. Shares will be sold on your behalf at the valuation point calculated after receipt of your instructions to cash-in some or all of your shares.

A business day is Monday to Friday between the hours of 9:00am and 5:00pm, with the exception of Bank Holidays in England.

How do I switch from one fund to another and what is the charge?

Switching

A holder of Shares in a Fund may at any time switch all or some of his Shares of one Fund ("the Original Shares") for Shares of another Fund ("the New Shares"). The number of New Shares issued will be determined by reference to the respective prices of New Shares and Original Shares at the valuation points applicable at the time the Original Shares are repurchased and the New Shares are issued.

Switching may be effected in writing to the ACD (which, in the case of joint Shareholders must be signed by all the joint holders).

The ACD may charge a fee of £15 on the switching of Shares between Funds, although this charge may be waived at the discretion of the ACD.

If the switch would result in the Shareholder holding a number of Original Shares or New Shares of a value which is less than the minimum holding in the Fund concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of Original Shares to New Shares or refuse to effect any switch of the Original Shares. No switch will be made during any period when the right of Shareholders to require the redemption of their Shares is suspended. Save as otherwise specifically set out, the general provisions on procedures relating to redemption will apply equally to a switch. A written instruction must be received by the ACD before the

valuation point on a Dealing Day in the Fund or Funds concerned to be dealt with at the prices at those valuation points on that Dealing Day, or at such other date as may be approved by the ACD. Switching requests received after a valuation point will be held over until the next day which is a Dealing Day in the relevant Fund or Funds.

The ACD may adjust the number of New Shares to be issued to reflect the imposition of any switching fee together with any other charges or levies in respect of the issue or sale of the New Shares or repurchase or cancellation of the Original Shares as may be permitted pursuant to the COLL Sourcebook.

Please note that a switch of Shares in one Fund for Shares in any other Fund is treated as a redemption of the Original Shares and a purchase of New Shares and will, for persons subject to United Kingdom taxation, be a disposal of the Original Shares for the purposes of capital gains taxation, which may give rise to a liability to tax, depending on the Shareholders circumstances. A Shareholder who switches Shares in one Fund for Shares in any other Fund (or who switches between Classes of Shares) will not be given a right by law to withdraw from or cancel the transaction.

When and how are dividends distributed?

Accounting Periods

The annual accounting period of the Company ends each year on 15 May (the accounting reference date). The interim accounting date of **engage** Investment Growth Fund

each year is 15 November and the interim accounting dates of **engage** High Income Fund each year are 15 February, 15 August and 15 November.

Income Allocations

Allocations of income are made in respect of the income available for allocation in each accounting period.

Distributions of income for holders of income shares in **engage** High Income Fund are paid on or before the income allocation dates of 15 April, 15 July, 15 October and 15 January in each year.

For **engage** Investment Growth Fund and holders of accumulation shares in **engage** High Income Fund, income will become part of the capital property of the Fund as at the end of the annual accounting period to increase the value of each share.

The first such allocations of income for **engage** High Income Fund will be in respect of the accounting period ending 15 February 2000 and for **engage** Investment Growth Fund in respect of the accounting period ending 15 May 2000.

If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the relevant Fund (or, if that no longer exists, to the Company).

The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the

relevant Fund in respect of that period, and deducting the charges and expenses of the relevant Fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the auditors as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

Income payments

Any income earned on the **engage** Investment Growth Fund is automatically reinvested back into the fund.

Any income earned on the **engage** High Income Fund may be distributed to shareholders quarterly, but if you do not wish to receive income payments. The income is used to buy more shares.

When and where are prices of Shares published?

Publication of Prices

The most recent price of Shares will appear daily at www.engagemutual.com. As the ACD deals on a forward pricing basis, the price that appears on the website will not necessarily be the same as the one at which investors can currently deal.

Share prices

The share price is calculated each business day by dividing the total of the assets in the funds by the number of shares in existence.

Share prices appear daily at www.engagemutual.com.

We will buy shares for you at the next valuation point from receipt of your subscription. This is called forward pricing.

Additional Information

If you require any further information, such as a copy of the full prospectus, the annual and half yearly reports or a copy of our complaints handling procedure or in the unlikely event that you wish to complain please call 0800 298 3233, or write to **engage** Mutual Assurance, Hornbeam Park Avenue, Harrogate HG2 8XE. Copies of the full prospectus and the annual and half yearly reports will be provided free of charge.

Authorised and regulated by the Financial Services Authority (FSA). eMFL's FSA Register number is 181487. You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

The dealing office of the ACD is open from 9.00 am until 5.00 p.m. on each Dealing Day to receive requests for the issue, redemption and switching of Shares.

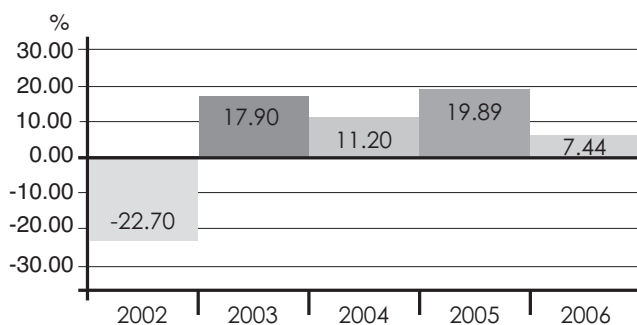
Date of publication:
30 November 2007

engage Mutual Investment Funds ICVC

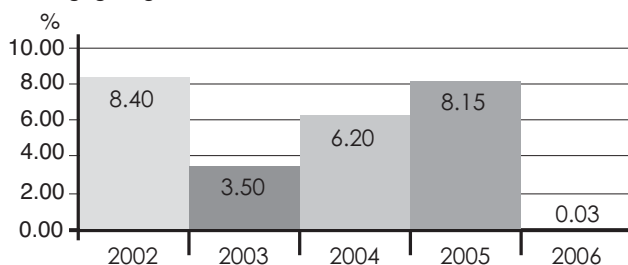
How has the Scheme performed in the past?

Historical Performance

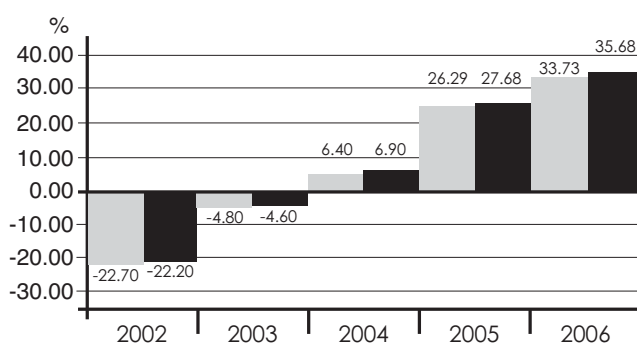
engage Investment Growth Fund – Annual Performance



engage High Income Fund – Annual Performance

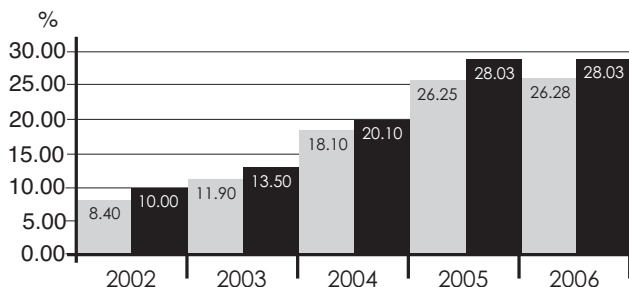


engage Investment Growth Fund – Cumulative Performance



engage
FTSE® 100

engage High Income Fund – Cumulative Performance



engage
 ■ FTSE® Conventional Gilt All-Stock Index

Warnings

- The information shown above refers to the period from 1 January 2002 up to 31 December 2006.
- The performance shown may not be repeated and should not be regarded as an indication of the likely future performance.
- The information was correct as at 31 October 2007 and may not still be current. Up to date past performance can be obtained by calling us free on 0800 298 3233.
- The figures shown make no allowance for tax recovery on income.
- The figures include an allowance for any net distributions to be reinvested.

Past performance of the scheme does not take into account the subscription and redemption fees that may have been charged. The effect of such fees if charged would be to reduce the past performance of the Funds.

Total Expense Ratio (“TER”)

The TER is the ratio of the total operating cost to its average net assets. The purpose of providing this calculation is to explain how the costs of making a decision to invest in the Funds relates as a proportion to the net assets of the fund over time.

The TER is calculated for each fund. The information below is a summary of the information contained in the full prospectus.

Operating costs: The only cost incurred by the Funds is the Annual Management Charge (“AMC”). There are no depositary’s fees, no fee-sharing agreements and no performance fees charged to the Funds.

In payment for carrying out its duties and responsibilities the ACD is entitled to take an annual fee out of each Fund, not exceeding, for shares, a charge of 2% per annum of the NAV of the Fund calculated on a mid market basis. The ACD will pay all the expenses and fees out of its remuneration under the ACD agreement.

The Income Fund has one share class (class A) with two types (income and accumulation shares) both with 1% AMC. The Growth Fund has two share classes, class A with 1% AMC and class CTF with 1.5% AMC (launched in 2005).

Net Assets Value: the average NAV is the average of all valuation points over the period (2006/2007).

Date of calculation: the TER is calculated with reference to the fiscal year 2006/2007.

TER calculated for:

engage High Income Fund
engage Growth Fund - Class A

(TER for **engage** Growth Fund class CTF will be calculated for 2006/2007)

TER calculation

TER1 – **engage** Investment Growth Fund – Class CTF

	Operating Cost	777,770.35		
TER =	-----	= -----	=	1.51%
	Average FUM	51,586,811.65		

TER2 – **engage** Investment Growth Fund – Class A

	Operating Cost	98,731.91		
TER =	-----	= -----	=	1.04%
	Average FUM	9,488,966.07		

TER3 – **engage** High Income Fund

	Operating Cost	49,964.13		
TER =	-----	= -----	=	1.14%
	Average FUM	4,133,123.81		

The costs and expenses used to calculate the TER are based on those costs and expenses attributable to the Fund in 2006/2007 and are calculated as a percentage of average net assets. The actual amount of these costs and expenses may be higher or lower.

The TER shows the annual operating expenses of the scheme - it does not include transaction expenses. All European funds highlight the TER to help you compare the annual operating expenses of different schemes.

Portfolio Turnover Rate

The costs to the Fund may be affected by the number of transactions in investments held by it that the managers decide to make to achieve the investment objectives. So, the higher the number of these transactions, the higher the transaction costs.

The Portfolio Turnover Rate of the Funds is as follows:

engage Investment Growth Turnover 11.07%

engage High Income Turnover 14.40%

Notes

any questions

call free on 0800 298 3233*

* Freephone applies to UK calls only. Calls may be recorded for security and training purposes.



engage Mutual Assurance (eMA), Hornbeam Park Avenue, Harrogate, HG2 8XE
tel: 01423 855000 fax: 01423 855181

eMA is a trading name of **engage** Mutual Funds Limited (eMFL), Registered number 3224780. Authorised and regulated by the Financial Services Authority (FSA), eMFL's FSA Register number is 181487. You can check this on the FSA's Register by visiting the FSA's website www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234.

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