

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other financial adviser who specialises in advising on shares and/or units or other investments and who is authorised under the Financial Services and Markets Act 2000.

PREMIER PORTFOLIO MANAGERS LIMITED

THE DISCOVERY FUND ("the Company")

Notification of the following proposals:

- (1) the adoption of wider investment powers by the Company;**
- (2) the introduction of new charges payable out of the property of the Company;**
- (3) to change the investment policies of the Discovery Balanced Fund and the Discovery Managed Growth Fund, each being a Sub-fund of the Company;**
- (4) the adoption of wider investment powers by the Discovery Balanced Fund and the Discovery Managed Growth Fund.**

This document contains a Notice of Meeting of Shareholders in the Company and Notices of Meetings of Shareholders in the Discovery Balanced Fund and the Discovery Managed Growth Fund, each being a Sub-fund of the Company. The meetings are to be held at Eastgate Court, High Street, Guildford, Surrey GU1 3DE on 14 August 2008 at the times set out in this document.

The action required to be taken is set out on page 14.

You are requested to complete and return the Form of Proxy or Letter of Direction (as applicable) enclosed with this document as soon as possible and, in any event, so as to be received by Premier Portfolio Managers Limited, Eastgate Court, High Street, Guildford, Surrey GU1 3DE, not later than 13 August 2008. The completion and return of the Form of Proxy will not preclude you from attending the Meeting and voting in person should you subsequently wish to do so.

CONTENTS

Contents	3
Timetable for the proposals	5
Definitions and interpretation	7
Letter to all Shareholders in the Company concerning various changes	9
Appendix 1	
Summary of the proposed changes of investment policies and investment powers in respect of the Discovery Balanced Fund and the Discovery Managed Growth Fund.	15
Appendix 2	
Comparison of current and proposed investment policies and investment powers in respect of the Discovery Balanced Fund and the Discovery Managed Growth Fund.	17
Appendix 3	
Procedure for all the various shareholder meetings to be held.	19
Appendix 4	
Notice of Extraordinary General Meeting of the Company.	21
Appendix 5	
Notice of Extraordinary General Meeting of the Discovery Balanced Fund.	23
Appendix 6	
Notice of Extraordinary General Meeting of the Discovery Managed Growth Fund.	25
Appendix 7	
Risk Factors	27
Proxy forms /Letters of direction as applicable enclosed with this document	

SUMMARY OF KEY DATES

•	Qualification date for Shareholder voting	24 July 2008
•	Despatch documentation to Shareholders	29 July 2008
•	Latest date for receipt of Form of Proxy	13 August 2008
•	Meeting of Shareholders of the Company	9:30 a.m. on 14 August 2008
•	Meeting of Shareholders in the Discovery Balanced Fund	9:40 a.m. on 14 August 2008
•	Meeting of Shareholders in the Discovery Managed Growth Fund	9:50 a.m. on 14 August 2008
•	Effective date on which the following changes will take effect:-	15 August 2008
	- Adoption of the wider investment powers by the Company; (conditional on Shareholder approval);	
	- Introduction of new charges payable out of the scheme property of the Company; (conditional on Shareholder approval);	
	- Change of investment policies of the Discovery Balanced Fund and the Discovery Managed Growth Fund; (conditional on Shareholder approval and the passing of the extraordinary resolution by Shareholders in the Company to adopt the wider investment powers);	
	- Adoption of wider investment powers by the Discovery Balanced Fund and the Discovery Managed Growth Fund; (conditional on Shareholder approval and the passing of the extraordinary resolution by Shareholders in the Company to adopt the wider investment powers).	

DEFINITIONS AND INTERPRETATION

References in this document to any statute or statutory instrument or other regulation or rule shall be deemed to include a reference to such statute or statutory instrument or other regulation or rule as from time to time amended and to any codification, consolidation or re-enactment thereof as from time to time in force. The following definitions apply throughout this document unless the context otherwise requires:

"ACD" or "Premier"	the authorised corporate director of the Company, being Premier Portfolio Managers Limited whose registered office is at Eastgate Court, High Street, Guildford, Surrey GU1 3DE;
"Auditors"	the auditors of the Company, Grant Thornton UK LLP, 30 Finsbury Square, London, EC2P 2YU;
"COLL"	the Collective Investment Schemes Sourcebook published by the FSA as part of their Handbook of Rules and Guidance made pursuant to the Financial Services and Markets Act 2000, as amended from time to time;
"Company"	The Discovery Fund, being an investment company with variable capital incorporated in England and Wales pursuant to the Regulations and authorised by the FSA;
"Company Documents"	the current prospectus and instrument of incorporation relating to the Company;
"covered bonds"	typically a bond that is issued by a credit institution which has its registered office in an EEA State and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest, and which may be collateralised;
"Depository"	The Royal Bank of Scotland plc acting in its capacity as depository of the Company;
"document"	this document including the letter to the Company's Shareholders and the Appendices;
"Effective Date"	00:01 a.m. on 15 August 2008 or such other subsequent time and date as may be agreed in writing between the ACD and the Depository;
"FSA"	the Financial Services Authority;
"Instrument"	the Instrument of Incorporation (as amended) constituting and governing the Company;
"Investment Adviser"	being Premier Fund Managers Limited;
"Meeting(s)"	the extraordinary general meeting of the Company and its applicable sub-funds convened by the relevant Notice of Meeting set out in Appendices 4 to 6 to this document;
"Prospectus"	the prospectus of the Company as amended from time to time;

"OEIC Regulations"	The Open-Ended Investment Companies Regulations 2001;
"Register"	The register of shareholders of the Company required to be established and maintained pursuant to and in accordance with the OEIC Regulations;
"Registrar"	Northern Trust Global Services Limited;
"Regulations"	the OEIC Regulations and COLL;
"Shareholder(s)"	in relation to the Share(s) of the Company, the person(s) entered in the Register as the holder(s) of that or those Share(s) on the date seven days before this circular is sent or delivered but always excluding any person or persons who are known not to be registered holders when this document was sent or delivered;
"Sub-fund"	a sub-fund of the Company (being part of the scheme property of the Company which is pooled separately) and to which specific assets and liabilities of the Company may be allocated and which are invested in accordance with the investment objective applicable to such sub-funds;
"UCITS Directive"	A Council Directive of 20 December 1985 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (as amended from time to time); and
"UCITS Scheme"	a fund authorised by the FSA which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive.

PREMIER PORTFOLIO MANAGERS LIMITED
Eastgate Court, High Street, Guildford, Surrey GU1 3DE

Date: 29 July 2008

Letter to Shareholders of the Company

Dear Shareholder

Proposals: (i) the adoption of wider investment powers by the Company; (ii) the introduction of new charges payable out of the property of the Company; (iii) to change the investment policies of the Discovery Balanced Fund and the Discovery Managed Growth Fund, being Sub-funds of the Company; and (iv) the adoption of wider investment powers by the Discovery Balanced Fund and the Discovery Managed Growth Fund.

In order to ensure we continue to meet the needs and expectations of all our customers and Shareholders in our funds we are continuously looking at ways to improve or update our range of funds to meet evolving investor requirements and changing markets.

The purpose of this document is to inform you of a number of proposals in relation to the Company and its Sub-funds for which, after careful consideration, we are seeking Shareholder approval.

SECTION 1 – BACKGROUND TO THE PROPOSED CHANGES

Due partly to the regulatory changes explained below, we have recently carried out a review of the Company and each of its Sub-funds. This circular contains our proposals, explains the reasons behind them and explains what you, as a Shareholder in the Company, need to do.

The Company operates under rules made by the FSA which are applicable to UCITS Schemes. All UK authorised funds were required to adopt new rules ("COLL"), which were issued by the FSA, by February 2007. These new rules provide greater operational and investment flexibility for funds such as the Company. As required by the FSA the Company adopted these new rules on 1 August 2006. However, in light of the inconsistent application of rules throughout Europe concerning the asset types which funds such as the Company are permitted to invest in the UCITS (Eligible Assets) Directive 2007/16/EC ("EAD") was issued by the European Commission last year.

The principal aim of the EAD is to clarify the types of investments which funds such as the Company may invest in, and the FSA has implemented the EAD in the UK by adding new rules and guidance to COLL which impact on the operation of the Company. In addition, the new rules aim to reflect the evolving nature of products (such as securities and derivatives) and markets which UCITS Schemes may invest in. The EAD also seeks to ensure that UCITS Schemes throughout the EEA are subject to the same requirements as regards permitted investments and to remove uncertainty regarding the eligibility of certain assets.

Summary of relevant changes effected by the EAD and the impact on the Company

Below is a summary of the changes to the types of investments which the Company and its Sub-funds may invest in following the changes to COLL required by the EAD and as a result of the adoption of the wider investment powers explained further in Section 2 below.

Recently issued securities

The new rules concerning transferable securities (including shares and bonds for example), mean that the potential range of transferable securities in which the Company may invest are narrower as there are new criteria on liquidity requirements, reliable valuation and appropriate information concerning the relevant transferable security. There are also new rules governing when closed-ended funds (such as investment trusts) may qualify as a transferable security, and closed-ended funds which do not meet these requirements

must be treated as a collective investment scheme. Under the new rules in COLL however the Company will be permitted to invest in recently issued transferable securities (which were not previously permitted) provided such securities are admitted to an eligible investment exchange within a year of issue.

Covered bonds

Currently UCITS Schemes such as the Company may invest in bonds and debentures to the extent they comprise a transferable security, and there are certain spread rules and limits which apply to certain types of bonds such as government and public securities. The new rules permit schemes such as the Company to invest in 'covered bonds', which until now have only been issued by credit institutions elsewhere in the EU. In anticipation, the new rules in COLL will allow schemes to invest up to 25% in one or more of these covered bonds issued by the same body, subject to an overall limit of 80% on exposure to covered bonds as an asset class.

Money market instruments

The new rules in COLL will mean that the potential range of money market instruments has been narrowed as they must now comply with specific maturity criteria and must either be admitted to or dealt in on a regulated market or issuers must be regulated for the purpose of protecting investors and savers. There is, however, scope for investment on money market instruments issued by securitisation vehicles which has not been permitted previously.

Embedded derivatives

As a further consequence of the EAD any transferable security or approved money market instrument which embeds a derivative must be treated as a derivative as well as being eligible transferable securities or approved money market instruments. Previously, fund managers have been able to invest in structured products in order to meet a fund's investment objective on the basis that such products were treated either as transferable securities or money market instruments. Therefore it has been possible for managers to invest in structured products whilst only having limited powers to use derivatives, typically for hedging or efficient portfolio management purposes. Under the new rules, if a manager wishes to continue investing in structured products and other investments which embed a derivative then it will be necessary for the investment powers of such funds to be widened.

Having reviewed the current operation and investment strategies of the Company and its Sub-funds we propose that the Company and its Sub-funds update their investment strategies to reflect the new range of instruments that a UCITS Scheme may invest in, and to comply with the EAD requirements.

SECTION 2 – CHANGE OF INVESTMENT POWERS OF THE COMPANY

Change the Company's investment powers

You will see from the Notice of an extraordinary general meeting of the Company (at **Appendix 4**) that we propose an extraordinary resolution to widen the Company's investment powers.

We are proposing that the investment and borrowing powers applicable to the Company are widened so as to permit investment in recently issued securities, covered bonds and money market instruments issued by securitisation vehicles, which will provide authority in principle for current and future Sub-funds of the Company to invest in these types of assets.

Currently the Company and its Sub-funds are permitted to invest in derivatives and forward transactions for hedging purposes only. In addition to the above proposed changes, we are also proposing that the Company's investment powers be amended to permit investment in derivatives and forward transactions for investment purposes as well as for efficient portfolio management purposes (including hedging).

A comparison of the Company's current and proposed investment powers is set out in **Appendix 2**.

We believe the adoption of these proposed changes will offer the Company and its Sub-funds additional flexibility as regards the range of investments which may be invested in, with the overall intention of improving investor returns.

Introduction of new charges

As a consequence of these changes the Company and its Sub-funds will be permitted to invest in derivatives for both investment purposes as well as efficient portfolio management (including hedging). We are proposing that the costs incurred as a result of the additional risk monitoring of the Sub-funds' use of derivatives will be deducted from the scheme property of the Company and allocated fairly and equitably between the applicable Sub-funds (to the extent such Sub-funds utilise their powers to invest in derivatives). It is anticipated that these additional risk monitoring costs will not be material.

We also propose to introduce certain other charges payable out of the scheme property of the Company. These proposals would allow costs incurred in relation to (i) setting up new Sub-funds of the Company, and (ii) taking out or maintaining policies of insurance in relation to the Company, to be deducted from the scheme property of the Company. The intention of these proposals is to align the charges permitted to be paid out of the scheme property of the Company with the charging structures of other schemes managed by the ACD. It is not anticipated that the costs associated with these changes will be material.

Requirement for Shareholder consent

In accordance with COLL the proposed amendments to widen the Company's investment powers to permit investment in covered bonds, recently issued securities, money market instruments issued by securitisation vehicles and derivatives (for investment purposes as well as efficient portfolio management including hedging), and the introduction of the new charges to be deducted from the scheme property of the Company, are regarded as fundamental changes and implementation of these changes is therefore conditional upon the passing of the Extraordinary Resolution of Shareholders in the Company at the Meeting to be held at 9:30 a.m. on 14 August 2008.

Further details of the procedure by which the proposals will be effected, the action you should take and the implications for you as an investor are set out in **Appendix 3**. We would encourage shareholders to vote in favour of the proposals as, if adopted, we consider that these changes will permit us to manage the Company in the best interests of investors.

The FSA has confirmed that adoption of the above proposed changes will not affect the authorisation of the Company.

The adoption of these wider investment powers by the Discovery Balanced Fund and the Discovery Managed Growth Fund will be subject to approval of the Shareholders of each of these Sub-funds in order that each of these Sub-funds is permitted, in principle, to invest in these types of investments. This is explained further below.

The Company has two further Sub-funds, the Discovery Managed Income Fund and the Discovery Global Growth Fund. These Sub-funds have not yet been launched. It is intended that, subject to Shareholder approval of the adoption of the wider investment powers by the Company, the investment policies and investment powers of these Sub-funds will also be amended to permit these Sub-funds to invest in the wider asset classes set out above. As these Sub-funds have not yet been launched these changes will not be subject to Shareholder approval.

SECTION 3 – CHANGES TO THE INVESTMENT POLICIES OF THE DISCOVERY BALANCED FUND AND THE DISCOVERY MANAGED GROWTH FUND

Adoption of wider investment powers

As mentioned in Section 2 above, provided the proposals to widen the Company's current investment powers as explained above are approved, we are also proposing that each of the Sub-funds adopt the wider investment powers available to UCITS Schemes under COLL. Adoption of these changes will enable each

Sub-fund to invest in recently issued securities, covered bonds and money market instruments issued by securitisation vehicles.

In addition we are also proposing that the Sub-funds adopt the wider powers which will permit them to invest in derivatives for investment purposes, as well as for efficient portfolio management purposes (including hedging). **We do not anticipate that the intended use of derivatives and forward transactions will alter or change the overall risk profile of the Company or its Sub-funds.**

As a consequence we would also like to amend the investment policies of the Sub-funds in order that they might benefit from additional flexibility in their chosen investments, thus potentially providing better return for Shareholders. This is explained further below.

Adoption of amended investment policies

The investment policies of the Discovery Balanced Fund and the Discovery Managed Growth Fund currently require those Sub-funds to invest mainly in equities, as well as other assets such as units in collective investment schemes, money market instruments, warrants and fixed interest securities. The current investment policies of the Discovery Balanced Fund and the Discovery Managed Growth Fund are set out below:

Discovery Balanced Fund

The investment policy of the Discovery Balanced Fund currently requires the Sub-fund to achieve its objective by investing:

"such that a maximum of 60% of the Fund's property will be exposed to equities and the balance to fixed interest securities. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants".

Discovery Managed Growth Fund

The investment policy of the Discovery Managed Growth Fund currently requires the Sub-fund to achieve its objective by investing:

"mainly in equities with a view to maximising potential returns. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants".

We are now proposing that the investment policy applicable to each Sub-fund be amended by including an additional paragraph as follows:

"Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to UCITS Schemes and in accordance with the investment and borrowing powers applicable to UCITS Schemes as summarised in Appendix 4 to this Prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging)."

The proposed amendments in respect of the investment policies of the Discovery Balanced Fund and the Discovery Managed Growth Fund are set out in **Appendix 1**. The effect of the proposed changes to the investment policies of the Sub-funds is that the Sub-funds will be permitted to utilise the wider investment powers available for UCITS Schemes under COLL, which will permit them to invest in recently issued transferable securities, money market instruments issued by securitisation vehicles, covered bonds and derivatives for investment purposes (as well as for efficient portfolio management purposes, including hedging). The purpose of the changes to the investment policies is to provide the Sub-funds with additional flexibility. **We do not anticipate that the intended use of derivatives and forward transactions will alter or change the overall risk profile of the Company or of its Sub-funds.**

By way of clarification it is not intended that the investment objectives of any of the Sub-funds will be amended.

The Discovery Balanced Fund and the Discovery Managed Growth Fund will continue to be managed so as to ensure that they remain qualifying investments for Individual Savings Accounts ("ISAs").

Procedure

Implementation of the proposals to change the investment policy and investment powers of the Discovery Balanced Fund and the Discovery Managed Growth Fund are conditional upon the passing of an extraordinary resolution of Shareholders of the Discovery Balanced Fund and the Discovery Managed Growth Fund at Meetings to be held on **14 August 2008** at the times set out in the relevant Notices of Meeting in **Appendices 5 to 6**. The proposed investment policies of the Discovery Balanced Fund and the Discovery Managed Growth Fund are set out in the relevant Notice and in **Appendix 1**. A separate extraordinary general meeting will be called for the Discovery Balanced Fund and the Discovery Managed Growth Fund in order that the Shareholders in each of these Sub-funds may have the opportunity to vote on these proposals. Further details of the procedure by which the proposals will be effected, the action you should take and the implications for you as a Shareholder are also set out in **Appendices 2 and 3**.

If the proposed resolutions are passed, each Sub-fund will be able to take advantage of the wider investment powers available to it. If the proposal to change the investment policy of any Sub-fund is not approved at the extraordinary general meeting of that Sub-fund, the change in investment policy of the other Sub-funds (if approved, where necessary) will still proceed. We would encourage Shareholders to vote in favour of the proposals as, if adopted, we consider they will allow us to manage the Sub-funds in the best interests of Shareholders.

In the event that the above changes to the investment policies are approved, the Prospectus will be amended to reflect the new policies. The FSA has confirmed that adoption by the Sub-funds of the proposals will not affect the authorisation of the Company.

SECTION 4 – OTHER INFORMATION

Consents and approvals

The FSA has confirmed that the adoption of the proposed changes by the Company and the Sub-funds set out above will not affect the authorisation of the Company.

The Depositary, whilst neither making any recommendation nor offering any opinion on the merits of the proposals as such, which are a matter for the judgement of each Shareholder, has informed the ACD that the proposals are in suitable form to be submitted to the Shareholders for consideration.

Costs and expenses

The costs of our proposals in relation to effecting the various changes to the Company and the relevant Sub-funds (including the costs of convening and holding the various Shareholder Meetings, and any adjourned meeting, and of preparing the associated documentation) will be payable by the Company. Costs attributable to a specific Sub-fund will be allocated accordingly in a fair and equitable manner. We anticipate that the costs which will be payable by each of the Discovery Balanced Fund and the Discovery Managed Growth Fund in respect of the changes should not exceed £3,000.

Documents available for inspection

Copies of the following documents will be available for inspection at our offices during normal business hours Monday to Friday (public holidays excepted), from the date of this document until the time of the Company Meeting (or any adjournment):

- (a) the Instrument of Incorporation of the Company;

- (b) the amended Prospectus of the Company;
- (c) the most recent annual and half yearly reports relating to the Company;
- (d) the approval of the FSA referred to under 'Consents and approvals'; and
- (e) the letter from the Depositary to the ACD referred to under 'Consents and approvals'.

If you are in any doubt as to the action you should take, please consult your financial adviser immediately.

Action to be taken

It is important that you read the entire contents of this document carefully and return the relevant Form of Proxy (or Letter of Direction) for the applicable Extraordinary General Meeting(s), as soon as possible and in any event no later than 13 August 2008.

You should bear in mind that all investment carries risks and as with your existing investment, you should take into account the risk factors which are applicable to the Company and the relevant Sub-fund(s), as listed in Appendix 7, when considering the proposals set out in this document.

If you require any further information concerning the proposal or the contents of this document, please contact us on the following number 01483 400480.

Recommendation

We, as the authorised corporate director of the Company and its Sub-funds, believe that the proposals set out in this document are in the best interests of Shareholders. We therefore recommend that you vote in favour of the extraordinary resolutions being proposed at the Company Meeting and the relevant Sub-fund Meeting(s).

Yours faithfully



Mark Friend
Director
Premier Portfolio Managers Limited
ACD of The Discovery Fund

Appendix 1

Summary of the proposed changes for each Sub-Fund

Sub-Fund	Current investment policy	Proposed new investment policy	Wider investment powers to be adopted?
Discovery Balanced Fund	<p>To be managed such that a maximum of 60% of the Fund's property will be exposed to equities and the balance to fixed interest securities. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.</p>	<p>To be managed such that a maximum of 60% of the Fund's property will be exposed to equities and the balance to fixed interest securities. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.</p> <p>Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to UCITS Schemes and in accordance with the investment and borrowing powers applicable to UCITS Schemes as summarised in Appendix 4 to this Prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).</p>	Yes
Discovery Managed Growth Fund	<p>The Fund will invest mainly in equities with a view to maximising potential returns. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.</p>	<p>The Fund will invest mainly in equities with a view to maximising potential returns. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.</p> <p>Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to UCITS Schemes and in</p>	Yes

	<p>accordance with the investment and borrowing powers applicable to UCITS Schemes as summarised in Appendix 4 to this Prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).</p>	
--	---	--

Appendix 2

Comparison of the Company's current and proposed investment and borrowing powers

The following table sets out the key differences between the permitted investment and borrowing powers which currently apply to the Company and its Sub-funds and those which will apply if the proposals in this documents are approved by the Shareholders.

	Existing investment and borrowing powers	Proposed investment and borrowing powers
Type of Scheme	UCITS Scheme governed by COLL Chapter 5	UCITS Scheme governed by COLL Chapter 5
Asset class		
Transferable securities	100%	100%
Transferable but not approved securities	10%	10%
Recently issued transferable securities	No	Yes Subject to conditions in COLL
Government and public securities ('GAPS')	100% (no more than 35% may be invested in GAPS issued by one issuer)	100% (no more than 35% may be invested in GAPS issued by one issuer)
Covered bonds	No	Yes
Units in collective investment schemes	100% (no more than 20% invested in any one collective investment scheme)	100% (no more than 20% invested in any one collective investment scheme)
UCITS schemes	100%	100%
Investment in collective investment schemes of the Manager/ACD or an Associate of the Manager/ACD	Yes	Yes
Non-UCITS schemes	30% (subject to specific conditions)	30% (subject to specific conditions)
Recognised schemes	s270 schemes only	s270 schemes only
EEA authorised schemes	30% (subject to specific conditions)	30% (subject to specific conditions)
Money market instruments	100%	100%
Money market instruments issued by securitisation vehicles	No	Yes
Warrants	5%	5%
Deposits	Yes (except no more than 20% with a single body)	Yes (except no more than 20% with a single body)
Cash	Yes	Yes

Efficient Portfolio Management ("EPM")/hedging	Yes	Yes
Derivatives	For EPM including hedging only	Yes (for both EPM including hedging, and investment purposes)
Investments which embed a derivative (e.g. structured products)	Yes (classified as transferable securities and money market instruments therefore falls within EPM/hedging)	Yes (classified as derivatives therefore falls within use of derivatives for investment purposes)
Immovables (including property)	No	No
Gold	No	No
Investment techniques		
Stocklending	Yes	Yes
Underwriting	Yes	Yes
Borrowing	10% Temporary only	10% Temporary only
Significant influence	20% restriction	20% restriction
Concentration		
Transferable securities	10%	10%
Debt Securities	10%	10%
Collective Investment Schemes	25%	25%
Money market instruments	10%	10%

Notes:

"Yes" Can be invested in without specific upper limit although there may be other limits.

"No" Not available for investment.

"%" An upper limit although there may be other limits.

Appendix 3

PROCEDURE FOR THE SHAREHOLDER MEETINGS

The Notices convening the Meeting of Shareholders in the Company to approve the adoption of the wider investment powers by the Company, and the introduction of new charges to be deducted from the scheme property of the Company, and the Meetings of Shareholders in: (i) the Discovery Balanced Fund, and (ii) the Discovery Managed Growth Fund, to approve the adoption of the wider investment powers and the amended investment policies by each of these Sub-funds, are set out in **Appendices 5 to 6**. The relevant Notice sets out the extraordinary resolution(s) to be proposed at the relevant Meeting.

1 Timetable

The proposals must be approved by Shareholders of the Company (in the case of the first meeting) and Shareholders of each relevant Sub-fund in the case of the subsequent meetings. The meetings of Shareholders will take place at Eastgate Court, High Street, Guildford, Surrey GU1 3DE on 14 August 2008 at the times set out below. Please note that, if necessary, the start of any Meeting will be delayed until the preceding Meeting has been closed or adjourned.

The Discovery Fund (Company Meeting)	9:30 a.m.
Discovery Balanced Fund	9:40 a.m.
Discovery Managed Growth Fund	9:50 a.m.

2 Extraordinary Resolutions and voting

Each Notice of Meeting sets out the applicable resolution to be proposed at that Meeting. Each resolution will be proposed as an Extraordinary Resolution and, to be passed, it must receive the support of a majority of not less than 75% of the total number of votes cast for or against the resolution.

Those persons who hold shares on the date seven days before the notices of meeting were sent out, but excluding any persons who are known to Premier Portfolio Managers Limited not to be Shareholders at the time of the meeting, are entitled to vote in respect of those shares.

In view of the importance of each proposal, voting at each Meeting will be conducted on the basis of a poll ordered by the chairman of the Meeting, so that the outcome of the vote will be determined by the Shares represented in person or by proxy at the Meeting and in respect of which votes are cast rather than by the number of persons at the Meeting. On a poll, the voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of the relevant Meeting is deemed to have been served. A Shareholder entitled to more than one vote on a poll need not, if he or she votes, use all his votes or cast all the votes he/she uses in the same way.

3 Voting instructions

A Shareholder is entitled to appoint a proxy to attend and vote at the Meeting(s) on behalf of that Shareholder. Please read the notes printed on the Form of Proxy which will help you to complete it. Please return the Form of Proxy as soon as possible to Premier Portfolio Managers Limited in the postage-paid envelope provided.

If you hold shares in more than one Sub-fund, each such Sub-fund will appear on the Form of Proxy.

You are urged to complete and return the enclosed Form of Proxy or Letter of Direction. To be valid, your voting instructions must be received by no later than 24 hours before the time of the relevant Meeting. If, having completed and returned the Form of Proxy, you attend a Meeting, the Form of Proxy will be set aside and you may vote at the Meeting or sell any Share, to which the Form of Proxy relates, before the

Meetings of Shareholders, then in respect of those Shares, the Form of Proxy will be ignored and you will not be able to vote in respect of those Shares at the Meetings. The Form of Proxy will be valid for adjourned Meetings.

4 Quorum

The quorum for the extraordinary general meeting is two Shareholders present in person or by proxy. If within fifteen minutes from the time appointed for the meeting a quorum is not present, the meeting will be adjourned to a day and time at least seven days and not more than 28 days later. At an adjourned meeting if a quorum is not present within fifteen minutes from the time appointed for the meeting one person entitled to be counted in a quorum present at the meeting shall be a quorum.

5 Chairman

The Depositary has appointed Mark Friend or, failing him any duly appointed representative of Premier Portfolio Managers Limited to be the chairman of the meeting and any adjourned meeting.

Once passed by the requisite majority, a resolution will be binding on all Shareholders, irrespective of how or whether they voted.

6 The ACD and its associates

Premier Portfolio Managers Limited, as authorised corporate director of the Company, is only entitled to be counted in the quorum and vote at a Meeting in respect of Shares it holds on behalf of or jointly with another person who, if himself the registered Shareholder, would be entitled to vote and from whom Premier Portfolio Managers Limited has received voting instructions.

Associates of Premier Portfolio Managers Limited are entitled to be counted in a quorum at a Meeting but may only vote at a Meeting in respect of Shares which they hold on behalf of or jointly with, another person who, if that person were the sole registered Shareholder, would be entitled to exercise those rights and from whom such associate has received voting instructions.

7 Consents and Clearances

The Depositary

In accordance with normal practice, The Royal Bank of Scotland plc, the Depositary of the Company, whilst neither recommending nor offering an opinion on the merits of the proposals, which are a matter for each Shareholder's judgment, has informed Premier Portfolio Managers Limited by letter that it has no objection to the proposals being placed before Shareholders for their consideration.

The Depositary has also informed Premier Portfolio Managers Limited by letter that it consents to the references made to it in this document in the form and context in which they appear.

The FSA

The FSA has confirmed by letter to Premier Portfolio Managers Limited that implementation of the proposals will not affect the authorisation of the Company under the Act.

Appendix 4

NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF THE DISCOVERY FUND

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders in The Discovery Fund (the "**Company**") will be held at Eastgate Court, High Street, Guildford, Surrey GU1 3DE on **14 August 2008 at 9:30 a.m.** to consider and, if thought fit, to pass the following resolutions which shall be proposed as separate extraordinary resolutions:

EXTRAORDINARY RESOLUTIONS

- (1) THAT** the Company adopts the investment and borrowing powers to the widest extent available to UCITS Schemes as currently contained in Chapter 5 of the Collective Investment Schemes Sourcebook ("**COLL**") of the Financial Services Authority, subject to any investment limitations and restrictions applicable to the Company that may be set out in the Prospectus and Instrument from time to time.

- (2) THAT** the Company's Prospectus be amended so as to permit the costs and expenses incurred in respect of monitoring the use of derivatives by the Funds, authorising new Funds of the Company, and taking out and maintaining any insurance policy in relation to the Company, to be deducted from the scheme property of the Company;

AND THAT the ACD is hereby authorised and instructed to amend the Prospectus of the Company accordingly.

By order of
Premier Portfolio Managers Limited
as Authorised Corporate Director
of The Discovery Fund



Mark Friend
Director

Dated 29 July 2008

Notes:

- 1 To be passed, an extraordinary resolution must be carried by a majority in favour of not less than 75% of the total votes cast at the Meeting.
- 2 A Shareholder entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a Shareholder.
- 3 A form of proxy and Letter of Direction in respect of the Meeting is enclosed. Shareholders are asked to complete and return their forms of proxy or Letter of Direction (as appropriate) as soon as possible, but in any event so as to reach the offices of Premier Portfolio Managers Limited, Eastgate Court, High Street, Guildford, Surrey GU1 3DE not later than 24 hours before the time appointed for the Meeting. Any power of attorney or other authority (if any) under which the forms of proxy or Letter of Direction are signed (or a notarially certified copy thereof) must be sent with the relevant form of proxy or Letter of Direction.
- 4 Subject to Note 5 below, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its properly authorised representative shall have one vote. On a poll, the voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of the Meeting is deemed to have been served. A Shareholder 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.
- 5 The ACD is not entitled to vote or be counted in the quorum in respect of any shares held by it or deemed to be held by it except in respect of any shares which the ACD holds on behalf of or jointly with a person who, if himself the registered Shareholder, would be entitled to vote, and from whom the ACD has received voting instructions. Any associate of the ACD may be counted in the quorum but is only entitled to vote in respect of shares which that associate holds on behalf of or jointly with a person who, if himself the Shareholder, would be entitled to vote, and from whom the associate has received voting instructions.
- 6 The quorum for the Meeting is two Shareholders present in person or by proxy. If, at an adjourned meeting, a quorum is not present within 15 minutes from the time appointed for the meeting, one Shareholder entitled to be counted in a quorum present at the Meeting will constitute a quorum.

Appendix 5

**NOTICE OF EXTRAORDINARY GENERAL MEETING OF
THE SHAREHOLDERS OF THE DISCOVERY BALANCED FUND**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of the Discovery Balanced Fund (the "**Fund**"), being a sub-fund of The Discovery Fund (the "**Company**"), will be held at Eastgate Court, High Street, Guildford, Surrey GU1 3DE on **14 August 2008** at **9:40 a.m.** to consider and vote on the following resolution which shall be proposed as a single Extraordinary Resolution:

EXTRAORDINARY RESOLUTION

THAT conditional upon the Resolution numbered (1) set out in the Notice of the Extraordinary General Meeting of the Company being approved by Shareholders of the Company the investment policy of the Fund as stated in the Prospectus be replaced with the following:

"To be managed such that a maximum of 60% of the Fund's property will be exposed to equities and the balance to fixed interest securities. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.

Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to UCITS Schemes and in accordance with the investment and borrowing powers applicable to UCITS Schemes as summarised in Appendix 4 to this Prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).";

THAT the Fund adopts the investment and borrowing powers to the widest extent available to UCITS Schemes as currently contained in Chapter 5 of the Collective Investment Schemes Sourcebook ("**COLL**") of the Financial Services Authority, subject to any investment limitations and restrictions applicable to the Fund that may be set out in the Prospectus and Instrument from time to time;

AND THAT the ACD is hereby authorised and instructed to amend the Prospectus of the Company accordingly.

By order of
Premier Portfolio Managers Limited
as Authorised Corporate Director
of The Discovery Fund



Mark Friend
Director

Dated 29 July 2008

Notes:

- 1 To be passed, an extraordinary resolution must be carried by a majority in favour of not less than 75% of the total votes cast at the Meeting.
- 2 A shareholder entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder.
- 3 A form of proxy and Letter of Direction in respect of the Meeting is enclosed. Shareholders are asked to complete and return their forms of proxy or Letter of Direction (as appropriate) as soon as possible, but in any event so as to reach the offices of Premier Portfolio Managers Limited, Eastgate Court, High Street, Guildford, Surrey GU1 3DE not later than 24 hours before the time appointed for the Meeting. Any power of attorney or other authority (if any) under which the form of proxy or Letter of Direction are signed (or a notarially certified copy thereof) must be sent with the form of proxy or Letter of Direction.
- 4 Subject to Note 5 below, on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by its properly authorised representative shall have one vote. On a poll, the voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of the relevant Meeting is deemed to have been served. A shareholder 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.
- 5 The ACD is not entitled to vote or be counted in the quorum in respect of any shares held by it or deemed to be held by it except in respect of any shares which the ACD holds on behalf of or jointly with a person who, if himself the registered shareholder, would be entitled to vote, and from whom the ACD has received voting instructions. Any associate of the ACD may be counted in the quorum but is only entitled to vote in respect of shares which that associate holds on behalf of or jointly with a person who, if himself the shareholder, would be entitled to vote, and from whom the associate has received voting instructions.
- 6 The quorum for the Meeting is two shareholders present in person or by proxy. If, at an adjourned meeting, a quorum is not present within 15 minutes from the time appointed for the meeting, one shareholder entitled to be counted in a quorum present at the meeting will constitute a quorum.

Appendix 6

NOTICE OF EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF THE DISCOVERY MANAGED GROWTH FUND

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of Discovery Managed Growth Fund (the "**Fund**"), a sub-fund of The Discovery Fund (the "**Company**"), will be held at Eastgate Court, High Street, Guildford, Surrey GU1 3DE on **14 August 2008** at **9:50 a.m.** to consider and vote on the following resolution which shall be proposed as a single Extraordinary Resolution:

EXTRAORDINARY RESOLUTIONS

THAT conditional upon the Resolution numbered (1) set out in the Notice of the Extraordinary General Meeting of the Company being approved by Shareholders of the Company the investment policy of the Fund as stated in the Prospectus be replaced with the following:

"The Fund will invest mainly in equities with a view to maximising potential returns. The Fund will achieve this by investing in units in collective investment schemes and may also invest in equities, fixed interest securities, money market instruments, deposits and warrants.

Subject to the above, the Fund may invest in any asset class and adopt any investment technique or strategy permitted under the rules in COLL as such rules are applied to UCITS Schemes and in accordance with the investment and borrowing powers applicable to UCITS Schemes as summarised in Appendix 4 to this Prospectus. The Fund may invest in derivatives and forward transactions for investment purposes as well as for the purposes of efficient portfolio management (including hedging).";

THAT the Fund adopts the investment and borrowing powers to the widest extent available to UCITS Schemes as currently contained in Chapter 5 of the Collective Investment Schemes Sourcebook ("**COLL**") of the Financial Services Authority, subject to any investment limitations and restrictions applicable to the Fund that may be set out in the Prospectus and Instrument from time to time;

AND THAT the ACD is hereby authorised and instructed to amend the Prospectus of the Company accordingly.

By order of
Premier Portfolio Managers Limited
as Authorised Corporate Director
of The Discovery Fund



Mark Friend
Director

Dated 29 July 2008

Notes:

- 1 To be passed, an extraordinary resolution must be carried by a majority in favour of not less than 75% of the total votes cast at the Meeting.
- 2 A shareholder entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder.
- 3 A form of proxy and Letter of Direction in respect of the Meeting is enclosed. Shareholders are asked to complete and return their forms of proxy or Letter of Direction (as appropriate) as soon as possible, but in any event so as to reach the offices of Premier Portfolio Managers Limited, Eastgate Court, High Street, Guildford, Surrey GU1 3DE not later than 24 hours before the time appointed for the Meeting. Any power of attorney or other authority (if any) under which the form of proxy or Letter of Direction are signed (or a notarially certified copy thereof) must be sent with the form of proxy or Letter of Direction.
- 4 Subject to Note 5 below, on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by its properly authorised representative shall have one vote. On a poll, the voting rights attaching to each Share are such proportion of the voting rights attached to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue at the date seven days before the notice of the relevant Meeting is deemed to have been served. A shareholder 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.
- 5 The ACD is not entitled to vote or be counted in the quorum in respect of any shares held by it or deemed to be held by it except in respect of any shares which the ACD holds on behalf of or jointly with a person who, if himself the registered shareholder, would be entitled to vote, and from whom the ACD has received voting instructions. Any associate of the ACD may be counted in the quorum but is only entitled to vote in respect of shares which that associate holds on behalf of or jointly with a person who, if himself the shareholder, would be entitled to vote, and from whom the associate has received voting instructions.
- 6 The quorum for the Meeting is two shareholders present in person or by proxy. If, at an adjourned meeting, a quorum is not present within 15 minutes from the time appointed for the meeting, one shareholder entitled to be counted in a quorum present at the meeting will constitute a quorum.

Appendix 7

Risk Factors

You should remember that:

- Past performance should not be seen as an indication of future performance.
- The value of shares and the income derived from them can go down as well as up and as a result, the investor may not get back the amount originally invested. This can be as a result of market movements and also variations in the exchange rates between currencies.
- As the Company is an umbrella scheme, although each Sub-fund is responsible for meeting its own liabilities, the Sub-funds are not "ring-fenced" and in the event of the Company being unable to meet liabilities attributable to any particular sub-fund out of the assets attributable to such sub-fund, the excess liabilities may have to be met out of the assets attributable to the other sub-funds. You will not however, be liable for the debts of the Company, nor will you be required to make any further payment to the Company in respect of fully paid shares in the Company held by you.
- Individual performance of a Sub-fund may be affected by the selection of investments by the investment adviser. Sub-funds aiming for a relatively high performance can incur greater risk than those adopting a more standard investment approach.
- There is a risk to capital, including potential risk of erosion resulting from withdrawals or cancellations of shares and distributions in excess of investment returns.
- The risk of inflation devaluing your investment return.
- There can be no assurance that any appreciation in value of investments will occur.
- The levels of relief from taxation will depend upon individual circumstances. Current tax levels and reliefs may change and their value will depend upon a shareholder's individual circumstances.
- Where Sub-funds may invest in derivatives for investment purposes this may mean that the net asset value of a particular fund could be subject to volatility from time to time, however, it is the ACD's intention that the funds, owing to the portfolio composition or the portfolio management techniques used, will not have volatility over and above the general market volatility of the relevant markets or their underlying investments and therefore it is not anticipated that the use of derivative techniques will alter or change the risk profile of the relevant Sub-fund(s).
- Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. The value of a fixed interest security may fall in the event of a default or reduced credit rating of the issuer.
- In certain circumstances Shareholders right to redeem Shares may be suspended in accordance with COLL.
- Investments in emerging markets may be more volatile than investments in more developed markets. Some of these markets may have relatively unstable governments, economies based on only a few industries and securities markets that trade only a limited member of securities. Many emerging markets do not have well developed regulatory systems and disclosure standards may be less stringent than those of developed markets.
- Where a Sub-Fund is required to only invest in companies which meet specific investment objective criteria (such as companies operating within a specific industrial or geographical sector) there may be a limited number of companies which will meet this criteria. This limitation may

constrain growth and the relevant Sub-Fund may experience a higher degree of volatility than a fund which invests in a more diverse portfolio of investments.

- Depending on a Shareholder's currency of reference currency fluctuations may adversely affect the value of an investment.