

Stenham Investment Funds plc

An open-ended umbrella investment company  
with variable capital and segregated liability between sub-funds  
incorporated with limited liability in Ireland  
under the Companies Act 2014  
with registration number 530140

(the **Company**)

## ADDITIONAL INFORMATION FOR INVESTORS IN THE UNITED KINGDOM

**Information contained herein is selective, containing specific information in relation to the Company. This document (the UK Country Supplement) forms part of and should be read in conjunction with the Prospectus for the Company dated 1 November 2018 together with any supplement or addendum thereto (collectively the Prospectus). This document is for distribution in the United Kingdom only.**

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used herein.

Dated: 8 November 2018

The Company is a recognised collective investment scheme within the meaning of Section 264 of the UK Financial Services and Markets Act 2000 as amended (the **FSMA**) and Shares in the Company may be promoted to the UK public by persons authorised to carry on investment business in the UK.

The Company does not carry on investment business in the UK, so as to require the conduct of its business to be regulated under the FCA. Shareholders will therefore not benefit from the protections provided by the UK regulatory system.

### **Important**

Compensation under the Financial Services Compensation Scheme will generally not be available to UK investors.

A UK investor who enters into an investment agreement with the Company to acquire Shares in response to the Prospectus will not have the right to cancel the agreement under the cancellation rules made by the FCA. The agreement will be binding upon acceptance of the order by the Company.

In connection with the Company's recognition under section 264 of the FSMA, Stenham Asset Management (UK) plc has been appointed to provide facilities services to the Company, to maintain the facilities required of a recognised scheme pursuant to the rules contained in the Collective Investment Schemes Sourcebook (**COLL**) published by the Financial Conduct Authority as part of the Financial Conduct Authority's Handbook of Rules and Guidance governing recognised schemes.

The facilities will be located at the offices of the Facilities Agent at Stenham Asset Management (UK) plc, 180 Great Portland Street, London, W1W 5QZ, England.

At these facilities, any person may:

1. Inspect (free of charge), during normal business hours on weekdays (Saturdays, Sundays and public holidays excepted), a copy of the following documents:
  - (a) the Memorandum and Articles of Association of the Company and any instruments amending these;
  - (b) the latest Prospectus including any addenda or supplements thereto;
  - (c) the latest key investor information documents;
  - (d) the latest annual and half-yearly reports; and
  - (e) any other documents required from time to time by COLL to be made available;
2. Obtain a copy (in English) of any of the above documents (free of charge in the case of documents (b) - (d));
3. Obtain information (in English) relating to the prices of Shares;
4. Redeem or arrange for the redemption of Shares (and obtain payment for such Shares); any redemption request received shall be sent to the Administrator for processing;

5. Make a complaint about the operation of the Company, which complaint will be transmitted to the Company;
6. Obtain, free of charge, details or copies of any notices which have been given or sent to Shareholders.

## 7. **UK TAXATION**

**Warning:** The information contained below is provided for UK resident investors only and is based on UK tax legislation and the known current HM Revenue & Customs (**HMRC**) interpretation thereof. This can vary according to individual circumstances and is subject to change. It is intended as a guide only and not a substitute for professional advice. It does not purport to be a complete analysis of all tax considerations relating to the holding of Shares. The information given below does not constitute legal or tax advice, and prospective investors should consult their own professional advisers as to the implications of subscribing for, purchasing, holding, switching or disposing of Shares under the laws of any jurisdiction in which they may be subject to tax.

This summary in particular does not address the tax consequences for non UK resident persons who hold the Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or permanent establishment). In addition, the summary only addresses the tax consequences for UK investors who hold Shares as an investment and not as trading stock. It does not deal with the position of certain classes of investors, such as dealers in securities and insurance companies, trusts and persons who have acquired their Shares by reason of their or another's employment; nor does it deal with the position of individuals who are UK resident but non-domiciled.

As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Fund is made will endure indefinitely. The statements are based on current tax legislation, together with HMRC practice, all of which are subject to change at any time - possibly with retrospective effect.

### **Nature of investment**

Investors will acquire Shares in a particular Share Class of Stenham Equity Fund (the Fund). The Fund is a sub-funds contained with an Irish open-ended investment company with variable capital. The Company is itself authorised as a UCITS scheme in Ireland by the Central Bank of Ireland and is structured as an umbrella company with segregated liability between its sub-funds.

All Share Classes of the Fund currently available for investment are accumulating Share Classes. The accumulation operates by retention of income arising in the Fund such that the Net Asset Value relating to each Share is increased by its proportionate share of the income received. No cash distributions of income will be made at any point by the Fund in respect of any Share Class.

### **Taxation status of the Fund**

The Directors understand that the Fund is not a transparent entity for UK taxation purposes. The Directors intend to conduct the affairs of the Fund so that they do not become resident in the United Kingdom and do not carry on a trade within the United Kingdom for United Kingdom taxation purposes. Accordingly, whilst the position cannot

be guaranteed, the Fund should not be subject to United Kingdom income tax or corporation tax other than on certain United Kingdom source income.

If the Fund should invest in UK investments any UK source income arising may be subject to UK withholding tax depending on the nature of those investments and whether the Fund can make a valid treaty claim to avoid or minimise such withholding tax.

Each Share Class of the Fund should be treated as an “offshore fund” for the purposes of the UK Offshore Fund’s tax regime in Section 355 of the Taxation (International and Other Provisions) Act 2010. The UK’s reporting fund regime, which is contained in the Offshore Funds (Tax) Regulations 2009 (Statutory Instrument 2009/3001), therefore applies to these Share Classes.

Under the reporting fund regime, for UK taxpayers to secure capital gains tax treatment on the disposal of their investment in Shares in a Share Class of the Fund, that Share Class would need to be certified as a “reporting fund” through the entire period over which the UK taxpayer held the investment.

The A (USD), A (GBP) and A (EUR) Shares of the Stenham Equity Fund are currently registered as a UK reporting fund.

The Directors will take all steps that are practicable and consistent both with the laws and regulatory requirements of Ireland and the United Kingdom and with the investment objectives and policies of the Fund, to ensure that, in respect of the relevant Share Classes, reporting fund status is obtained and retained in respect of each of its accounting periods. It must be appreciated, however, that no assurance can be given as to whether such approval will, in practice, be granted in the first instance, and retained in respect of any particular accounting period, especially since the exact conditions that must be fulfilled for the Fund to obtain that reporting fund status may be affected by changes in HMRC practice or by subsequent changes to the relevant provisions of UK tax legislation.

The comments below under the heading entitled “**Taxation of UK resident investors in RFSC**” are based on the premise that each Reporting Fund Share Class (**RFSC**) will maintain reporting fund status with HMRC over the entire period in which it has UK resident investors. It is important to note that reporting fund status must be maintained on an annual basis by the Stenham Equity Fund. If reporting fund status is revoked by HMRC for any RFSC, that RFSC will be unable to regain reporting fund status and will thereafter be permanently outside the reporting fund regime.

The Directors will decide whether or not any future Share Class of the Fund will apply to HMRC for Reporting Fund Status on a Share Class by Share Class basis. In the event that a Share Class of the Fund will not have Reporting Fund Status or loses its Reporting Fund Status in respect of a future accounting period (hereafter referred to as ‘Non Reporting Fund Share Classes’ (non RFSC)) the heading entitled “**Taxation of UK resident investors in non RFSC**” includes some comments in relation to the UK taxation implications of UK resident investors in any non RFSC of the Fund.

### **Taxation of UK resident investors**

The general comments below are prepared on the basis that none of the RFSC in the Fund are categorised as ‘bond funds’ under the relevant UK legislation. Broadly, a Share

Class is likely to be viewed as a 'bond fund' for an accounting period if at any time in that accounting period the market value of its 'qualifying investments' [being broadly government and corporate debt, securities or cash on deposit (other than cash awaiting investment) or certain derivative contracts or holdings in other funds which at any time in the relevant accounting period are categorised as 'bond funds'] exceed more than 60% of the market value of its total assets.

The investment objective of the Fund indicates that it is unlikely to be viewed as a 'bond fund' for UK tax purposes. However, this would need to be formally confirmed on an annual basis by review of the proportional weighting of the 'qualifying investments' to total assets throughout that period.

Dividends and other income distributions paid or deemed to be paid to UK resident and domiciled individual shareholders in respect of Shares in the Fund which are deemed to be 'bond funds' may instead be taxed as 'interest' (as opposed to 'dividends' – discussed at (e) below). If such dividends are taxed as 'interest' no tax credit would be available in respect of the dividend and the applicable rates of tax would be 20% for basic rate tax payers, 40% for higher rate taxpayers and 45% for additional rate taxpayers.

UK resident corporate Shareholders within the charge to UK corporation tax should note that under the loan relationships regime, if at any time in an accounting period they hold an interest in a 'bond fund' that interest will be treated for that period as if it were rights under a creditor relationship for the purposes of the regime – which is likely to mean total returns from the Share Class are subject to corporation tax on a mark-to-market basis, and the offshore income gain regime should not apply.

#### **A. Taxation of UK resident investors in RFSC**

##### **(a) Capital gains – general principles**

The relevance of reporting fund status for UK investors is that gains realised by investors on disposals of investments in reporting funds, which retain their reporting fund status for the entire period in which the investors hold the investment, will in most circumstances be treated as a 'capital disposal' for UK taxation purposes.

##### **(b) UK individual investors in RFSC**

Shareholders who are resident in the UK for tax purposes may be liable to capital gains tax in respect of capital disposals of their RFSC Shares.

Any capital increase in the value of the Shares realised on eventual sale (when compared to deductible costs) is likely to be taxable under the UK capital gains code (current headline rate of 28%), subject to the availability of various exemptions and/or reliefs. Deductible costs should include the amount initially paid for the Shares, as well as any accumulated and not distributed amounts that have been taxable as income in the hands of the individual under (e) below.

##### **(c) UK corporate investors in RFSC**

UK corporates may be liable to UK corporation tax at their marginal rate in respect of capital disposals of RFSC Shares.

The deemed distributions received by the corporate throughout their period of ownership of the RFSC Shares may represent additional base cost on sale of the RFSC Shares (e.g. in the event that the dividend was not exempt).

(d) Income and deemed distributions – general principles

Broadly speaking, an investor will be taxed on income accruing in a RFSC on an annual basis, rather than when it is distributed to the investor.

This is the case despite the fact that these Shares are accumulation shares and no income will be ordinarily physically distributed to a RFSC shareholder in any period in respect of his/her holding.

UK investors will be viewed as receiving income equivalent to their proportionate share of the “reported income” of the RFSC; and the tax point for any “reported income” should be the date falling 6 months after the end of the reporting period (i.e. 30 June each year on the basis that the Fund continues to prepare financial statements to 31 December).

On the basis that the Fund is not a ‘bond fund’ these deemed distributions should be viewed as foreign dividends for UK taxation purposes. The advice below is prepared on this basis.

In certain specified circumstances, investors in receipt of dividends can be viewed as receiving trading income. The advice below assumes that all investors will be viewed as holding the Shares as investment assets and that the dividends are treated as investment, rather than trading, income for tax purposes.

(e) UK individual investors

There are currently three rates of UK income tax rates charged on dividends received by UK individuals: basic rate of 10% (for dividends within the first slice of taxable income up to £32,010), higher rate of 32.5% (for dividends within the next £117,990 of taxable income; £150,000 cumulatively) and additional rate of 37.5% (for the dividends within any income over £150,000). A tax credit equivalent to 1/9th of the deemed distribution may be available in certain circumstances. This tax credit, if available, can be offset against the income tax payable on the deemed dividend but cannot give rise to a cash refund from HMRC.

(f) UK corporate investors

UK corporate investors may be exempt from UK corporation tax if the deemed distribution from the RFSC falls within one of the dividend exemption categories for corporate recipients.

If the deemed dividends do not fall within one of the dividend exemption categories, then they are likely to represent taxable income in the hands of the corporate investor at their marginal rate of UK corporation tax.

(g) UK exempt investors

Some investors (e.g. approved pension funds) may be exempt from tax. Different rules may also apply in the case of certain non-residents (for more details, please consult your tax advisor).

## ***B. Taxation of UK resident investors in non RFSC***

### (a) Capital gains

Shareholders who are resident or, if applicable, ordinarily resident in the UK for tax purposes may be liable to capital gains tax in respect of capital disposals of their non RFSC Shares. In broad terms, gains realised on disposals of investments in non RFSC are likely to be taxable as an income receipt (without credit for any indexation which would otherwise be available) in the hands of the investors as an offshore income gain under the UK offshore fund regime. Any amounts taxable as an income receipt should be deducted from the proceeds from a capital gains tax perspective.

### (b) Income received from non RFSC

A UK resident investor in a non RFSC should only have a potential liability to UK tax in respect of actual distributions received. The tax point for such distributions is likely to be the date on which such distributions were paid. These distributions should be viewed as foreign dividend income for UK individual investors.

Dividends and other income distributions paid or deemed to be paid to UK resident and domiciled individual Shareholders in respect of Shares in the Company which are deemed to be 'bond funds' may instead be taxed as 'interest' (as opposed to 'dividends'). If such dividends are taxed as 'interest' no tax credit would be available in respect of the dividend and the current applicable rates of tax would be 20% for basic rate tax payers, 40% for higher rate taxpayers and 45% for additional rate taxpayers.

UK resident corporate Shareholders within the charge to UK corporation tax should note that under the loan relationships regime, if at any time in an accounting period they hold an interest in a 'bond fund' that interest will be treated for that period as if it were rights under a creditor relationship for the purposes of the regime – which is likely to mean total returns from the Share Class are subject to corporation tax on a mark-to-market basis, and the offshore income gain regime should not apply.

### Certain UK anti-avoidance legislation

The UK tax legislation contains a wide range of anti-avoidance legislation which could, depending on the specific circumstances of an investor, apply to Shareholdings in the Fund. The comments below are not intended to be an exhaustive list of such anti-avoidance legislation, or a comprehensive summary of any of the provisions referred to. Investors who are concerned about the potential application of these provisions, or any other UK anti-avoidance provisions should seek detailed tax advice based on their own circumstances. However, as a high level guide the attention of prospective investors resident or ordinarily resident in the United Kingdom for taxation purposes is particularly drawn to the following anti-avoidance provisions.

### *Section 13 of the Taxation of Chargeable Gains Act 1992 (Section 13)*

Section 13 applies to a “participator” in a company for UK taxation purposes (the term “participator” includes, but is not limited to, a Shareholder) if the company is controlled by a sufficiently small number of persons such that, if it were a body corporate resident in the UK for taxation purposes, it would be a “close company”.

If at any time when (i) a gain accrues to the Fund which constitutes a chargeable gain for UK purposes (such as on a disposal by the Fund of any of its investments) and (ii) the provisions of Section 13 apply; a participator can be treated for the purposes of UK taxation as if a part of any chargeable gain accruing to the Fund had accrued to that Shareholder directly. The gain accruing to the Shareholder is equal to the proportion of the gain that corresponds to that Shareholder’s proportionate interest in the Fund as a participator. A Shareholder could therefore incur a liability to tax even if the gain accruing to the Fund had not been distributed by the Fund. No liability under Section 13 will be incurred by such a Shareholder, however, where the proportionate interest of the Shareholder in the company, together with their associates, means that 25% or less of the chargeable gain is apportioned to them under the Section 13 rules.

*Chapter 2 of Part 13 of the United Kingdom Income Tax Act 2007 (transfer of assets abroad)*

The attention of individuals resident in the UK for taxation purposes is drawn to the provisions of Chapter 2 of Part 13 of the United Kingdom Income Tax Act 2007 (transfer of assets abroad). These provisions are aimed at preventing the avoidance of income tax by individuals through the transfer of assets or income to persons (including companies) resident or domiciled outside the UK. These provisions may render them liable to taxation in respect of undistributed amounts which would be treated as UK taxable income and profits of the Fund (including, if the Fund or any Funds thereof were treated as carrying on a financial trade, profits on the disposition of securities and financial profits) on an annual basis. It is not expected that these provisions would apply to income relating to a Share Class which has been certified by HMRC as a RFSC. Where a Share Class has not been certified as a RFSC, the provisions could apply but there are potential exemptions available where the transactions are genuine commercial transactions and avoidance of tax was not the purpose or one of the purposes for which the transactions were effected.

*Transaction in Securities*

The attention of Shareholders is drawn to anti-avoidance legislation in Chapter 1, Part 13 of the Income Tax Act 2007 and Part 15 of the Corporation Tax Act 2010 that could apply if Shareholders are seeking to obtain tax advantages in prescribed conditions.

*UK stamp duty*

The following comments are intended as a guide to the general UK stamp duty position and may not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

No UK stamp duty will be payable on the issue of the Shares. Legal instruments transferring the Shares should not be subject to UK stamp duty provided that such instruments are executed outside the UK and do not relate to matters done or to be done in the UK.