SEI Global Asset Management Product Guide

UK Open-Ended Investment Companies (OEICs)

UK Open-Ended Investment Companies ("OEICs") are collective investment vehicles established as companies and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom. OEICs are designed to allow individual and institutional investors to invest in a well-diversified and professionally managed portfolio in a relatively cost-effective and tax-efficient manner. As OEICs are, by definition, open-ended, they cannot be established as closed-ended funds.

Investor Profile

- UK OEICs allow for pooling of assets.
- As an open-end investment vehicle, investors can freely purchase and sell shares of the OEIC and the value of the shares owned reflects the net asset value of the underlying assets.

Regulatory Reporting Requirements

- The prospectus, instrument of incorporation, key investor information document ("KIID"), annual and periodic reports must be filed with the FCA.
- OEICs are governed by a separate corporate code set out in the Open-Ended Investment Companies (Companies with Variable Capital) Regulations, 2001 in the UK.

Distribution, Advertising and Promotion

- Only authorised persons resident or incorporated in the UK can promote participation in OEICs.
- Key features of the OEIC are disclosed in the prospectus and KIID (or other simplified prospectus), which are delivered to investors.
- OEICs may be purchased directly from the authorised corporate director ("ACD") or through a broker, fund supermarket or independent financial adviser. Direct purchases from the ACD are typically more expensive than the other purchase options.
- Investments may be made through UK tax wrappers (ISA & SIPP).
- There is often an initial charge of up to 6%.
- Investors own shares in the OEIC and the OEIC continually issues and redeem shares according to investor demand.

Fund Launch Timeline and Organisational Requirements

- Authorisation can take anywhere from six (6) weeks to six (6) months, depending on complexity.
- OEICs must be authorised by the FCA in order to be promoted in the UK and to obtain an exemption from capital gains tax.
- OEICs can invest in any security on an EU stock market or non-EU market that the manager and trustee believe meet satisfactory regulatory and liquidity requirements.
- The FCA rules governing authorisation require that the OEIC is sufficiently diversified. To be "sufficiently diversified," an actively managed OEIC may not hold more than 10% of the total

value of the OEIC in the shares of any single company and the aggregate of any holdings over 5% must not exceed 40%. Under normal circumstances, where an OEIC tracks an index, no single component of the index may consist of more than 20% of the shares in any one company. OEICs that invest more than 35% in UK government fixed interest securities (gilts) or the debt of another government, must invest in at least six different issues of such debt and no single holding can exceed 30% of the value of the OEIC. OEICs may hold up to 20% of their value in units or shares of a single collective investment scheme (e.g. other unit trusts or open end investment companies).

- The FCA rules also require that an OEIC may not exert "significant influence" over the issuers of the securities in which it invests, i.e. they should be passive investors. An actively managed OEIC may not hold more than 20% of the shares in any one company.

Fund Operational Organisation Structure

- Regulated by the FCA.
- Governed by its instrument of Incorporation (not Memorandum and Articles of Association). OEICs are usually set up as umbrella structures with a number of sub-funds comprising various share classes (which can be hedged) and switching is usually permitted.
- An ACD must be appointed to take regulatory responsibility for the operation of the OEIC; the ACD may be a UK-incorporated entity authorised and regulated by the FCA or established and regulated elsewhere in the EEA; independent directors may also be appointed but rarely are.
- Sub-funds do not have separate legal personality, but are separately managed, charged and accounted for and assessed for tax; the assets and liabilities of one sub-fund are (under recently enacted rules) segregated from those of other sub-funds.

Taxation

- An OEIC is exempt from UK tax on its capital gains, but does pay 20% tax on its income; however, onward payments to investors are made with this 20% being netted off as basic rate tax relief.
- OEICs are subject to stamp duty reserve tax ("SDRT") of 0.5% and this also applies to most dealings in the shares of the UK OEIC.
- An OEIC must either distribute or accumulate the whole of its distributable income for a particular distribution period, either as dividend income or as interest.