

Sector Capital Funds plc

An umbrella fund with segregated liability between sub-funds

A company incorporated as an open-ended umbrella investment company with variable capital under the laws of Ireland with registered number 489443

(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 12 July 2017 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: 18 September 2017

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, the Company has entered into a Representative Agreement dated February 2017 with Maples Fiduciary Services (UK) Limited (the **Representative Agent**) who is responsible for providing facilities services to the Company and maintenance of 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 11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom

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 Constitution 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) and (c));
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.

United Kingdom Taxation

The Company

The Directors intend that the affairs of the Company should be managed and conducted so that it does not become resident in the UK for UK taxation purposes. Accordingly, and provided that the Company does not carry on a trade in the UK through a permanent establishment situated in the UK for UK taxation purposes, the Company will not be subject to UK corporation tax on income and capital gains arising to it (other than withholding taxes (if any) on income arising to the Company from a UK source).

The Directors each intend that the respective affairs of the Company are conducted in such a way so that no such permanent establishment will arise insofar as this is within their respective control, but it cannot be guaranteed that the conditions necessary to prevent any such permanent establishment coming into being will at all times be satisfied.

Interest and certain other income received by the Company which has a UK source may be subject to withholding taxes (which may not be reclaimable) in the UK, although the circumstances in which UK income tax must be withheld at source will become more limited from April 2017.

Interests in the funds of the Company will be made widely available institutional investors able to meet the minimum investment criteria and the funds will be marketed accordingly.

Shareholders

Subject to their personal circumstances, Shareholders resident in the UK for taxation purposes will be liable to UK income tax or corporation tax on dividends paid or other distributions of income made by the Company whether or not such distributions are reinvested in Company.

No credit will be available against a Shareholder's UK tax liability in respect of income distributions of the Company nor for any taxes suffered or paid by the Company on its own income, (except in the case of a Corporate Shareholder which is resident in the UK (or not resident but carrying on a business in the UK through a permanent establishment) owning directly or indirectly not less than 10 per cent. of the voting share capital of the Company where double taxation agreements provide for payment of tax credit).

Certain classes of overseas dividend distributions received by UK corporate shareholders are exempt from tax. The exemption will not be available where it is used for tax avoidance purposes.

Offshore Funds Regime

Under the UK Offshore Fund legislation, a Shareholder who is resident in the UK for taxation purposes and holds an interest in an "offshore fund" will be taxed on any accrued gain at the time of sale, redemption or other disposal as income ("offshore income gains")

at the income tax rates, unless the relevant Class is a "Reporting Fund" throughout their holding period.

If Reporting Fund status is obtained, UK investors shall be subject to income tax on the excess of any reportable income over actual distributions received from the Reporting Fund (as well as being taxed on the distributions themselves) on the fund distribution date - i.e. six months after the end of the reporting period.

Any gain accruing to the Shareholder upon the sale, redemption or other disposal of their interest in a reporting fund class will be subsequently taxed as a capital gain, with any undistributed income that has been subject to tax being treated as capital expenditure for the purpose of computing the amount of the chargeable gain.

The reportable income will be made available to each investor for each reporting period.

As of the date of this document, the Company has applied to the HMRC to obtain certification as a "reporting fund" under the Offshore Funds (Tax) Regulations 2009 for the purposes of taxation in the UK for Sector Healthcare Value Fund Class X USD. The Directors may decide in the future to apply for other sub-funds or share classes within sub-funds to join the UK Reporting Regime.

There can be no guarantee or assurance that the law and regulations governing reporting fund status, or the interpretation of them, will remain the same. Investors are advised to seek their own specialist advice in relation to how (if at all) these rules will affect them.

Taxation of individual Shareholders

According to their personal circumstances, individual Shareholders resident in the United Kingdom for tax purposes will, in general, be liable to income tax at the relevant dividend income rate on any distributions received from the Company (whether or not such dividends or distributions are reinvested) and any deemed annual reportable income attributable to the Shareholder in excess of any amounts actually distributed.

Relief should be available for any accumulated or reinvested profits which have been subject to UK income tax on income. In certain circumstances, distributions are treated as interest payments – see below 'Specific provisions – The 'Qualifying Investments' test' for further information.

UK resident individuals will now benefit from an allowance in the form of an exemption from tax for the first £5,000 of all dividend income received in the relevant tax year. Dividends received in excess of this amount will be taxed at rates, depending on individual Shareholders' total annual income band, of 7.5%, 32.5% and 38.1%

Under current law a disposal of shares (which includes a redemption) by an individual Shareholder who is resident in the United Kingdom for taxation purposes should be taxed at the current capital gains tax rate of 20% or 10% (depending on total taxable income in the year). The principal factors that will determine the extent to which such capital gains will be subject to capital gains tax are the level of annual allowance of tax free gains in the year in which the disposal takes place, the extent to which the Shareholder realises any other capital gains in that year and the extent to which the Shareholder has incurred capital losses in that or any earlier tax year.

Special rules and different rates apply to United Kingdom resident individual Shareholders who are not domiciled in the United Kingdom.

Shareholders who are not resident in the United Kingdom for taxation purposes should not generally be subject to United Kingdom taxation on any gain realised on any sale, redemption or other disposal of their shares unless their holding of shares is connected with a branch or agency through which the relevant Shareholder carries on a trade, profession or vocation in the United Kingdom.

A Shareholder who is an individual who has ceased to be resident in the United Kingdom for tax purposes for a period of less than five years of assessment and who disposes of shares during that period may also be liable, on his return to the United Kingdom to taxation on offshore income gains and capital gains.

Individual Shareholders who are resident but not domiciled in the United Kingdom for tax purposes should note that, if they are applying for Shares, they may be required to make payment directly into a United Kingdom bank account. Where such an individual Shareholder intends to meet subscription proceeds from funds sources outside the United Kingdom, such a payment may give rise to a taxable remittance for the purposes of United Kingdom taxation, depending upon the particular circumstances of that individual. Accordingly, it is recommended that such individual Shareholders seek independent tax advice in this respect before making a subscription for Shares from such funds.

Chapter 2 Part 13 Income Tax Act 2007

The attention of individual Shareholders resident in the UK (and who, if individuals, are also domiciled in the UK for those purposes) is drawn to Chapter 2 of Part 13 of the Income Tax Act 2007 (“**ITA**”) pursuant to which income accruing to the Company could be attributed to such individuals making them liable to taxation in respect of undistributed income and profits of the Company.

These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the sub-fund on an annual basis.

It is not expected that these provisions will apply where the income has not already been attributed to the individual under a separate provision of United Kingdom taxation. Where the provisions could apply 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

In addition, those provisions of ITA will not apply if any relevant Shareholder can satisfy HMRC that either:-

- (i) it would not be reasonable to draw the conclusion from all the circumstances of the case, that the purpose of avoiding liability to taxation was the purpose, or one of the purposes, for which the relevant transactions or any of them were effected;
- (ii) all the relevant transactions are genuine commercial transactions and it would not be reasonable to draw the conclusion, from all the circumstances of the case, that

any one or more of the transactions was more than incidentally designed for the purpose of avoiding liability to taxation; or

- (iii) the transaction is considered to be a genuine transaction (i.e. on terms other than those that would have been made between unconnected persons dealing at arm's length) and the individual's liability to tax would contravene EU treaty freedoms.

Section 13 Taxation of Chargeable Gains Act 1992

The attention of persons resident in the United Kingdom for taxation purposes (and who, if individuals, are also domiciled in the UK for those purposes) is drawn to the provisions of section 13 Taxation of Chargeable Gains Act 1992 ("section 13") and the supplementary provision of the principal UK Reporting Regime. Section 13 could be material to any such person who has an interest in the Company as a "participator" for United Kingdom taxation purposes (which term includes, but is not limited to, a Shareholder) at a time when a chargeable gain accrues to the Company (such as on a disposal of any of its investments) if, at the same time, the Company is itself controlled in such a manner and by a sufficiently small number of persons as to render the Company a body corporate that would, were it to have been resident in the United Kingdom for taxation purposes, be a "close" company for those purposes.

The provisions of section 13 would result in any such person who is a participator being treated for the purposes of United Kingdom taxation as if a part of any chargeable gain accruing to the Company had accrued to that person directly, that part being equal to the proportion of the gain that corresponds to that person's proportionate interest in the Company. No liability under section 13 could be incurred by such a person, however, in respect of a chargeable gain accruing to the Company if the aggregate proportion of that gain that could be attributed under section 13 both to that person and to any persons connected with him for United Kingdom taxation purposes does not exceed one-quarter of the gain. Section 13 was extended with effect from 6 April 2008 to individuals domiciled outside the United Kingdom, subject to the remittance basis in particular circumstances.

As disposals of non-reporting classes are subject to tax as offshore income gains, the UK Reporting Regime substitute "offshore income gains" for any reference to "chargeable gain" in section 13. There is some uncertainty as regards to whether the UK Reporting Regime actually operates in the way that was intended, since it may be interpreted as only applying to offshore income gains generated by offshore funds, as opposed to capital gains. Despite this uncertainty, it would be prudent to assume that the UK Reporting Regime apply to all capital gains realised by offshore funds in the same way as section 13, since this would appear to have been the intention of the UK tax authorities when the legislation was drafted.

Taxation of corporate Shareholders

Shareholders who are subject to United Kingdom corporation tax should generally expect to be exempt from United Kingdom taxation in respect of dividends from each sub-fund assuming the dividend income is within one of the categories of exempt dividend under Part 9A of the Corporation Tax Act 2009, subject to the "Qualifying Investments" test outlined below and provided that the dividend income will not be treated as trading income.

Holders of Classes of Shares who are bodies corporate resident in the United Kingdom for taxation purposes will be taxed on any gains on disposal at the applicable corporation tax rate (currently 19% for the tax year 2017/18 (and 18% from 1 April 2020 and periods thereafter), but may benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

Excess reportable income from relevant Classes of Shares will be exempt from UK corporation tax in the hands of a UK corporate investor if a distribution from the Sub-fund would be so exempt.

Special rules apply to insurance companies, investment trusts, authorised unit trusts and open-ended investment companies in the United Kingdom. Such investors should seek their own professional advice in relation to the tax consequences of an investment in a Sub-fund.

Controlled Foreign Companies ('CFC') Rules

UK resident corporate investors should be aware that if they invest into the Company, they could be subject to the UK Controlled Foreign Company ("CFC") provisions. From 1 January 2013, the new CFC rules use both a "pre-gateway" and "gateway" test to specifically define where profits are being artificially diverted out of the UK. Where profits of a foreign company pass both the pre-gateway and the gateway test and are not excluded by any other exemption, entry condition or safe harbour, they will be apportioned to UK companies with a relevant interest of 25 per cent or more in the Company. This CFC charge can be reduced by a credit for any foreign tax attributable to the apportioned profits and by any UK relief which could otherwise be claimed. There are specific provisions which seek to provide relief for companies which are participants in offshore funds where there is a reasonable expectation that the 25 per cent relevant interest test will not be met.

Specific Provisions

The 'Qualifying Investments' test

The attention of individual Shareholders subject to United Kingdom income tax is drawn to Section 378A of Income Tax (Trading and Other Income) Act 2005 which provides that certain distributions from offshore funds that are economically similar to payments of yearly interest will be chargeable to tax as if they were yearly interest. The 'Qualifying Investments' test states that a fund meets the test where its holdings of Qualifying Investments does not exceed 60% of its market value. For the purposes of the test, 'Qualifying Investments' (per Part VI of the Corporation Tax Act 2009) are government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "Qualifying Investments" test. As such, where the offshore fund fails to satisfy this test at any point in the relevant period, then any distribution will be treated as interest for income tax purposes and the United Kingdom investors will be subject to income tax on such distributions at their appropriate marginal rate.

Shareholders within the charge to United Kingdom corporation tax should be aware that Part VI of the Corporation Tax Act 2009 (the "loan relationships regime") provides that, if

at any time in an accounting period such a person holds a "interest" in an offshore fund, and there is a time in that period when that fund fails to satisfy the "Qualifying Investments" test, the interest held by such a person will be treated for that accounting period as if it were rights under a creditor relationship for the purposes of the loan relationships regime. An offshore fund fails to satisfy the "Qualifying Investments" test at any time where more than 60% of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "Qualifying Investments" test. In that eventuality, the relevant interest will be treated for corporation tax purposes as within the loan relationships regime with the result that all returns on that interest in respect of such a person's accounting period (including gains, profits and losses) will be taxed or relieved as a loan relationship debit or credit on a "fair value accounting" basis.

Accordingly, such a person who acquires Shares in the Fund may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of Shares).

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

The following comments are intended as a guide to the general United Kingdom stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply. If a Shareholder is in any doubt as to their taxation position or if a Shareholder is subject to tax in any jurisdiction in addition to or other than the United Kingdom, they should consult an appropriate professional adviser immediately.

Transfers of shares in the Company or the sub-funds will not be liable to United Kingdom stamp duty unless the instrument of transfer is executed (or relates to something done or to be done) within the United Kingdom when the transfer (if more than £1,000) will be liable to a technical United Kingdom ad valorem stamp duty charge at the rate of 0.5 per cent of the amount or value of the consideration provided rounded up to the nearest £5. No United Kingdom stamp duty reserve tax ("SDRT") is payable on any agreement to transfer shares in the Company or the sub-funds, on the basis the shares are not registered in a register kept in the United Kingdom by or on behalf of the Company or a sub-fund.

If any redemption by an investor of shares in the Company or the sub-funds is satisfied by the transfer in specie to the Shareholder of any UK securities, a charge to United Kingdom stamp duty and SDRT may arise.

Transfers of UK securities to the Company or the sub-funds will generally give rise to a charge to United Kingdom ad valorem stamp duty and SDRT, both at the rate of 0.5 per cent of the amount or value of the consideration provided. Payment of the stamp duty should cancel the parallel SDRT charge.

Inheritance Tax

The Shares are assets situated outside the United Kingdom for the purposes of United Kingdom inheritance tax. A liability to United Kingdom inheritance tax may arise in

respect of gifts by, or on the death of, individuals domiciled, or deemed to be domiciled, in the United Kingdom.

On the basis the Company's share register is maintained outside the United Kingdom, the shares in the Company should be classified as a foreign situs asset for the purposes of inheritance tax.

However, the United Kingdom Government has announced proposals to extend the scope of United Kingdom inheritance tax, from 6 April 2017, to individuals who have a foreign domicile who hold interests in offshore companies and overseas partnerships which derive value, whether directly or indirectly, from residential property situated in the United Kingdom.

If you are a non-United Kingdom domiciled Shareholder, you should seek tax advice in respect of this.

The summary given in this section is for information purposes only. It is not exhaustive and does not constitute legal or tax advice. Prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Shares. The tax consequences applicable to Shareholders may vary depending on their particular circumstances. It is the responsibility of all prospective investors to inform themselves as to the tax consequences and any foreign exchange or other fiscal or legal restrictions, which may be relevant to their particular circumstances in connection with the acquisition, holding or disposition of Shares. The above is a brief summary of certain aspects of UK taxation law and practice relevant to the transactions contemplated in the Prospectus. While it is based on the law and practice and official interpretation currently in effect, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with the interpretation given or that changes in such law and practice will not occur.

Fees and Expenses

Information relating to the fees and expenses payable by investors in each of the Funds is set out in the section of the Prospectus headed "Fees and Expenses". The attention of investors and/or prospective investors is drawn to the information relating to fees and expenses set out therein.