

**GMO INVESTMENTS ICAV**  
**(an Irish collective asset-management vehicle having registration number C155870)**  
**(THE "ICAV")**

**AN UMBRELLA FUND WITH SEGREGATED LIABILITY BETWEEN SUB-FUNDS**  
**UK COUNTRY SUPPLEMENT**

**ADDITIONAL INFORMATION FOR INVESTORS IN THE UK**

for

**GMO SGM Major Markets Investment Fund**

**GMO Climate Change Investment Fund**

**GMO Equity Market Neutral Investment Fund**

**GMO Emerging Country Debt UCITS Fund**

**DATED 15 February 2019**

This document forms part of and should be read in conjunction with the prospectus for **GMO SGM Major Markets Investment Fund, GMO Climate Change Investment Fund, GMO Equity Market Neutral Investment Fund and GMO Emerging Country Debt UCITS Fund (the "Funds" and each a "Fund")** dated 17 December 2018 as amended or supplemented from time to time (the "**Prospectus**"). Information contained in this UK Country Supplement is selective, containing specific information in relation to the Funds and does not relate to any of the other sub-funds of the ICAV. This UK Country Supplement contains information for investors in the UK only. References to the Prospectus are to be taken as references to that document as supplemented or amended hereby. In addition, words and expressions defined in the Prospectus, unless otherwise defined below, shall bear the same meaning when used herein.

The Financial Conduct Authority (the "**FCA**") has not approved and takes no responsibility for the contents of the Prospectus or for the financial soundness of the ICAV or any of its sub-funds or for the correctness of any statements made or expressed in the Prospectus.

The ICAV is a recognised collective investment scheme within the meaning of Section 264 of the UK Financial Services and Markets Act 2000 (the "**FSMA**") and Shares in the ICAV may be promoted to the UK public by persons authorised to carry on investment business in the UK and will not be subject to the restrictions contained in Section 238 of the FSMA.

The ICAV does not carry on regulated activities in the UK and so does not require the conduct of its business to be regulated under the FSMA. Investors will therefore not benefit from the protections provided by the UK regulatory system such as the Financial Services Compensation Scheme or the Financial Ombudsman Service.

Investors' attention is drawn to the section of the Prospectus entitled "Fees and Expenses".

**UK Facilities Agent**

In connection with the ICAV's recognition under Section 264 of FSMA, the ICAV has appointed GMO UK Limited as its facilities agent ("**Facilities Agent**") to maintain the facilities required of a recognised scheme pursuant to the rules contained in the FCA Handbook of Rules and Guidance governing recognised schemes.

The facilities are located at the offices of GMO UK Limited at No.1 London Bridge, London, SE1 9BG, England. At these facilities any person may:

- (i) inspect (free of charge) a copy (in English) of:
  - the instrument of incorporation of the ICAV;
  - the latest version of the Prospectus;
  - the latest version of the Key Investor Information Document of the Fund; and
  - the latest annual and half-yearly reports most recently prepared and published by the ICAV;
- (ii) obtain a copy of any of the above documents (free of charge);
- (iii) obtain information (in English) about the prices of Shares in the ICAV; and
- (iv) make a complaint about the operation of the ICAV, which the Facilities Agent will transmit to the ICAV.

Further, any Shareholder may redeem or arrange for the redemption of Shares in the ICAV and obtain payment at the offices of the Facilities Agent.

### **United Kingdom Taxation**

The following is a summary of various aspects of the United Kingdom taxation regime which may apply to UK resident persons acquiring Shares in the Classes of the Fund, and where such persons are individuals, only to those domiciled in the UK. It is intended as a general summary only, based on current law and practice in force as of the date of this UK Country Supplement. 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. Such law and practice may be subject to change, and the below summary is not exhaustive. Furthermore, it will apply only to those UK Investors holding Shares as an investment rather than those which hold Shares as part of a financial trade; and does not cover UK Investors which are tax exempt or subject to special taxation regimes.

This summary should not be taken to constitute legal or tax advice, and any prospective Investor should consult their own professional advisers as to the UK tax treatment of returns from the holding of Shares in the Fund.

Prospective investors should familiarise themselves with and, where appropriate, take advice on the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for, and the holding, purchasing, switching or disposing of Shares in the place of their citizenship, residence and domicile.

#### *The Fund*

The affairs of the ICAV with respect to the Fund are intended to be conducted in such a manner that it should not become resident in the UK for taxation purposes. Therefore, on the condition that the ICAV with respect to the Fund does not carry on a trade in the UK through a permanent establishment, branch or agency located there, then the ICAV will not be subject to UK corporation tax on income or chargeable gains arising to it, other than on certain UK source income (or income with a comparable connection to the UK) from which income tax may be deducted.

It is not expected that the activities of the ICAV with respect to the Fund will be regarded as trading activities for the purposes of UK taxation. However, to the extent that trading activities are carried on in the UK they may in principle be liable to UK tax. The profit from such trading activities will not be assessed to UK tax provided that the ICAV (on behalf of the Fund) and the Investment Manager meet certain

conditions. The Directors and the Investment Manager intend to conduct the respective affairs of the ICAV and the Investment Manager so that all the conditions are satisfied, so far as those conditions are within their respective control, but it cannot be guaranteed that the conditions necessary to prevent this will at all times be satisfied.

Income and gains received by the ICAV with respect to the Fund may be subject to withholding or similar taxes imposed by the country in which such returns arise.

### *Investors*

Subject to their personal tax position, Investors resident in the UK for taxation purposes will normally be liable to UK income tax or corporation tax in respect of dividends or other distributions of the Fund (including any dividends funded out of realized capital profits of the Fund), whether or not reinvested. In addition, UK resident investors holding Shares at the end of each "reporting period" (as defined for UK tax purposes) will potentially be liable to UK income or corporation tax on their share of a Class's "reported income", to the extent that this amount exceeds dividends received. Further details on the reporting regime and its implication for investors are discussed in more detail below. Both dividends and reported income will be treated as dividends received from a foreign corporation, subject to any re-characterisation as interest where the offshore fund invests more than 60% of its assets in interest-bearing (or economically similar) assets.

Since April 2016, UK resident individuals have no longer received a dividend tax credit. Instead, a new allowance of £5,000, taxed at 0% has been introduced. Any dividend income above £5,000 is now subject to income tax on foreign dividends at rates of 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate. Modified rules, which are not discussed in this summary, apply to UK resident Shareholders who are individuals not domiciled within the UK.

Under Part 9A of the Corporation Tax Act 2009, dividend distributions from an offshore fund made to companies resident in the UK are likely to fall within one of a number of exemptions from UK corporation tax. In addition, distributions to non-UK companies carrying on a trade in the UK through a permanent establishment in the UK should also fall within the exemption from UK corporation tax on dividends to the extent that the shares held by that fund are used by, or held for, that permanent establishment. Reported income will be treated in the same way as a dividend distribution for these purposes. If none of the exemptions apply, the dividends will be subject to corporation tax (currently 18% for the tax year 2018/19 but decreasing to 17% by 1 April 2020).

Shareholdings in the Fund are likely to constitute interests in an "offshore fund", as defined for the purposes of Part 8 of the Taxation (International and Other Provisions) Act 2010 ("**TIOPA 2010**"), with each Share Class of the Fund treated as a separate 'offshore fund' for these purposes. Under TIOPA 2010, any gain arising on the sale, disposal or redemption of shares in an offshore fund (or on conversion from one fund to another within an umbrella fund) held by persons who are resident in the United Kingdom for tax purposes will be taxed at the time of such sale, disposal, redemption or conversion as income and not as a capital gain. This does not apply, however, where a fund is approved as a "reporting fund" under the UK Reporting Fund Regime, throughout the period during which the shares have been held.

### *UK Reporting Fund Regime*

The Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001) (the "**Tax Regulations**") provide that if an investor resident in the UK for taxation purposes holds an interest in an offshore fund and that offshore fund is a 'non-reporting fund', any gain accruing to that investor upon the sale or other disposal of that interest will be charged to UK tax as income and not as a capital gain.

Alternatively, where an investor resident in the UK holds an interest in an offshore fund that has been a 'reporting fund' for all periods of account for which they hold their interest, any gain accruing upon sale or other disposal of the interest will be subject to tax as a capital gain rather than income; with

relief for any accumulated or reinvested profits which have already been subject to UK income tax or corporation tax on income (even where such profits are exempt from UK corporation tax).

Chargeable gains arising on disposals of capital assets by UK resident individuals will be tax free if they fall within an individual's annual capital gains exemption. For the tax year 2017/18, the first £11,300 of an individual's chargeable gains (that is after deduction of allowable losses) from all sources will, therefore, be exempt from capital gains tax. Gains in excess of this amount will be subject to capital gains tax at the rate of 10% for basic rate taxpayers or 20% to the extent an individual taxpayer's total taxable income exceeds the upper limit for the income tax basic rate band (currently £33,500 for the tax year 2017/18). UK resident corporate Investors will be subject to corporation tax on chargeable gains.

Where an offshore fund may have been a non-reporting fund for part of the time during which the UK Investor held their interest and a reporting fund for the remainder of that time, there are elections which can potentially be made by the Investor in order to pro-rate any gain made upon disposal; the impact being that the portion of the gain made during the time when the offshore fund was a reporting fund would be taxed as a capital gain. Such elections have specified time limits in which they can be made. Investors should refer to their tax advisors for further information.

It should be noted that a "disposal" for UK tax purposes would generally include a switching of interest between any sub-funds within the ICAV and might in some circumstances include switching of interests between Classes in the Fund. An application is to be made to HMRC under Part 3 of the Tax Regulations for each Class to be treated as a 'reporting fund'. In broad terms, a 'reporting fund' under these regulations is an offshore fund that meets certain upfront and annual reporting requirements to HM Revenue & Customs and its Investors. The Directors intend to manage the affairs of the ICAV with respect to the Fund so that these upfront and annual duties are met and continue to be met on an ongoing basis for all Share Classes within the Fund, which have been accepted into the UK reporting fund regime. Such annual duties will include calculating and reporting the income returns of the offshore fund for each reporting period (as defined for UK tax purposes) on a per-Share basis to all relevant Investors (as defined for these purposes).

If reporting fund status is obtained from HM Revenue & Customs for any Class, it will remain in place in relation to that Class permanently so long as the relevant annual requirements are undertaken. Investors should refer to their tax advisors in relation to the implications of the funds obtaining such status.

If a Class obtains UK reporting fund status, UK Investors holding Shares in that Class at the end of each reporting period (as defined for UK tax purposes) will potentially be subject to UK income tax or corporation tax on their share of the Class's reported income, to the extent that this amount exceeds dividends received. The reported income will be deemed to arise to UK Investors on the date six months following the end of the reporting period. Both dividends and reported income will be treated as dividends received from a foreign corporation, subject to any re-characterisation as interest, as described below. The Offshore Funds (Tax) (Amendment) Regulations 2017 provides that performance fees incurred by offshore reporting funds, and which are calculated by reference to any increase in the fund's value, are not deductible against reportable income and instead reduce any tax payable on disposal gains.

#### *General*

The attention of individual investors resident in the UK is drawn to the provisions of Chapter 2 of Part 13 of the Income Taxes Act 2007. These provisions are aimed at preventing the avoidance of UK income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled outside the UK, and may render them liable to income tax

in respect of undistributed income of the Fund on an annual basis. The legislation is not directed towards the taxation of capital gains.

Corporate Investors resident in the UK should note the provisions of Part 9A of TIOPA 2010 which may have the effect in certain circumstances of subjecting a company resident in the UK to UK corporation tax on the profits of a company resident outside the UK. A charge to tax cannot however arise unless the non-resident company is under the control of persons resident in the UK and, on apportionment of the non-resident's "chargeable profits" more than 25% would be attributed to the UK resident and persons connected with them on a "just and reasonable basis".

The attention of UK resident corporate Investors is drawn to Chapter 3 of Part 6 of the Corporation Tax Act 2009, whereby interests of UK companies in offshore funds may be deemed to constitute a loan relationship; with the consequence that all profits and losses on such relevant interests are taxed or relieved as an income receipt or expense on a fair value basis of accounting. Accordingly, a UK resident corporate Investor may, depending on his own circumstances, incur a charge to UK corporation tax on an unrealised increase in the value of its holding of Shares (and, likewise, obtain relief against UK corporation tax for an unrealised reduction in the value of its holding of Shares). These provisions apply where the market value of relevant underlying interest bearing securities and other qualifying investments of the offshore fund (broadly investments which yield a return directly or indirectly in the form of interest) are at any time more than 60% of the value of all the investments of the offshore fund.

The attention of investors resident in the UK (and who, if individuals, are also domiciled in the UK for those purposes) is drawn to the provisions of Section 13 of Taxation of Chargeable Gains Act 1992. Under these provisions, where a chargeable gain accrues to a company that is not resident in the UK, but which would be a close company if it were resident in the UK, a person may be treated as though a proportional part of that chargeable gain, calculated by reference to their interest in the ICAV, has accrued to them. No liability under Section 13 can be incurred by such a person, however, where such a proportion does not exceed one-quarter of the gain.

A gift of Shares or the death of a holder of Shares may give rise to a liability to UK inheritance tax. For these purposes, a transfer of assets at less than their full market value may be treated as a gift. However, an individual who is not domiciled in the UK and who is not deemed to be domiciled there under special rules relating to long residence or previous domicile in the UK, is not generally within the scope of inheritance tax as respects assets situated outside the UK. Shares should constitute assets situated outside the UK for inheritance tax purposes.

#### *Stamp Duty and Stamp Duty Reserve Tax*

Liability to UK Stamp Duty will not arise provided that any instrument in writing, transferring Shares in the Fund, or shares acquired by the Fund, is executed and retained at all times outside the UK, however, the ICAV with respect to the Fund may be liable to transfer taxes in the UK on acquisitions and disposals of investments. In the UK, stamp duty or stamp duty reserve tax at a rate of 0.5% will be payable by the ICAV with respect to the Fund on the acquisition of shares in companies that are either incorporated in the UK or that maintain a share register there.

Because the ICAV is not incorporated in the UK and the register of investors will be kept outside the UK, no liability to stamp duty reserve tax will arise by the reason of the transfer, subscription for and or redemption of Shares except as stated above.

Investors should note that other aspects of United Kingdom taxation legislation may also be relevant to their investment in the Fund.