

Davy Funds plc

An umbrella fund with segregated liability between sub-funds

A company incorporated with limited liability as an investment company with variable capital incorporated under the laws of Ireland with registered number 533779

(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 18 September 2015 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 : 2 October 2015

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 appointed J&E Davy (the **Facilities 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 J&E Davy, Dashwood House, 69 Old Broad Street, London EC2M 1QS.

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) 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.

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 in the **Davy Discovery Equity Fund; Global Brands Equity Fund; Global High Yield Equity Fund; Davy Ethical Equity Fund; Davy Defensive Equity Income Fund; Davy UK Long Term Growth GPS Fund; Davy UK Cautious Growth GPS Fund; Davy UK GPS Balanced Growth Fund** (each a **Fund** together the **Funds**).

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 the Fund in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or permanent establishment (**PE**)). In addition, the summary only addresses the tax consequences for UK investors who hold Shares as an investment and not as trading stock or for any other purpose. It does not deal with the position of certain classes of investors, such as dealers in securities and insurance companies, trusts, authorised investment funds or investment trust companies 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 Funds 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 the Funds. The Funds are sub-funds contained within an Irish open-ended investment company (the **Company**) with variable capital and segregated liability between its Sub-Funds. The Company is itself authorised as a UCITS scheme in Ireland by the Central Bank of Ireland and is structured as an umbrella company.

All Share Classes of the Funds currently available for investment are accumulating Share Classes. The accumulation operates by retention of income arising in the Funds 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 tax purposes. The Directors intend to conduct the affairs of the Fund in a manner such that it does not become resident in the UK and does not carry on a trade within the UK through a PE or otherwise for UK tax purposes. Further comfort can also be obtained from the relieving provisions of s363A TIOPA 2010. Accordingly, the Fund should not be subject to UK income tax or corporation tax other than on certain UK source income. The Directors and the Investment Manager each intend that the respective affairs of the Company and the Investment Manager are conducted so that these requirements are met insofar as this is within their respective control. However it cannot be guaranteed that the necessary conditions will at all times be satisfied.

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 claim under the double tax agreement between the UK and the Republic of Ireland to avoid or minimise such withholding tax.

UK taxation classifications

Each Share Class of the Fund will be treated as a separate “offshore fund” for the purposes of the UK offshore funds tax regime in accordance with Part 8 of the Taxation (International and Other Provisions) Act 2010 (**TIOPA 2010**). The UK’s reporting fund regime, which is contained in the Offshore Funds (Tax) Regulations 2009 (the **Regulations 2009**) (Statutory Instrument 2009/3001), will apply separately to each Share Class of the Fund. Under the UK 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” throughout the entire period in which the UK taxpayer held the investment.

In broad terms, a ‘reporting fund’ is an offshore fund that meets certain upfront and annual reporting requirements to HMRC and its Shareholders. The Offshore Funds (Tax) Regulations 2009 (SI2009/3001) provide that if an individual investor resident in the UK for taxation purposes holds an interest in an offshore fund and that offshore fund is 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 should 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. Alternatively, where an investor resident in the UK 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 ‘offshore income gains’ at their marginal rate of tax rather than a capital gain.

The Share Classes of the Funds are not currently registered as UK reporting funds. However, the intention of the Directors is, where reasonably possible and considered to be beneficial for the shareholders of any Share Class of the Funds, to obtain UK reporting fund status for that Share Class from the date of its launch and, in such circumstances, application for UK reporting fund status will be made to HMRC. An application for UK reporting fund status for any Share Class of the Funds must be received by HMRC by the later of (i) the end of first period of account in which the Directors wish that Share Class to be registered as a UK reporting fund share class (RFSC), and (ii) the expiry of a period of three months beginning with the first day on which interests in the relevant share class are made available to investors resident in the UK, if later..

In the event that any Share Class of the Funds does not apply to HMRC for UK reporting fund status for the first period of account of that Share Class, it should be noted that UK reporting fund status cannot be obtained retrospectively for any period and would therefore generally only be

available from the period in which the Directors made the appropriate applications to HMRC (and future periods).

Where an offshore fund has been a non-reporting fund for part of the time during which a UK Shareholder held their interest and a reporting fund for the remainder of that time, there are elections available to the Shareholder to enable any gain arising during the period the offshore fund has reporting fund status to be taxed as a capital gain. Such elections have specified time limits in which they must be made, and these time limits that are based around the date of change in status of the relevant share class from non-reporting to reporting.

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 Funds, 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 Funds 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 assumption that applications will be made to HMRC to obtain UK reporting fund status from the beginning of the first period of account for each relevant Share Class, and on the premise that each RFSC will maintain reporting fund status throughout the entire period in which it has UK resident investors. It is important to note that once a share class has been granted UK reporting fund status, it will maintain that status so long as it continues to satisfy the conditions to be a reporting fund and it meets its annual compliance requirements under the reporting fund regime. 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. Where, however, reporting fund status is voluntarily surrendered under Regulation 116 of the Regulations 2009, the Fund may make a subsequent application for reporting fund status to apply in the future, should the Directors wish to do so.

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 does 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' or "non RFSC") the heading entitled **Taxation of UK resident investors in non-RFSC** includes some comments in relation to the UK tax implications for UK resident investors in such a Share Class of the Fund.

Taxation of UK resident investors

The general comments below are prepared on the basis that the Fund is not categorised as a 'bond fund' under the relevant UK legislation.

Broadly, the Fund 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.

A. Taxation of UK resident investors in RFSC

Impact of investing in other Collective Investment Schemes by the Fund

Special rules apply in certain circumstances for determining the reportable income of a RFSC of a sub-fund which invests in other funds which are themselves registered with HMRC as UK reporting funds. Any income physically received from such funds, along with their proportionate share of the "excess income" of the UK reporting fund invested in (calculated in accordance with the UK reporting fund regime) must be included in the reportable income of each share class of the investing sub-fund for the relevant period.

However, where a sub-fund invests in a non-reporting fund, the Fund has two options regarding how this holding is treated in its UK reporting fund calculations. Which option is chosen depends on whether 'sufficient information' on the underlying investment is available to allow the Fund to calculate the "excess income" that would have arisen if the underlying fund had UK reporting fund status.

If sufficient information is available, it is possible to calculate the "excess income" of the underlying fund as if it was registered with HMRC as a UK reporting fund, and include each share classes' proportionate share of that "excess income" in its own reportable income calculations as above.

If sufficient information is not available, then each share class in the investing sub-fund must bring its proportionate share of the fair value increase (or decrease) of its holding in the underlying fund over the sub-fund's accounting period (i.e. it computes the fair value at the beginning of the period and deducts that amount from the fair value at the end of the period) into account as 'income' in their UK reporting fund calculations. This would result in the share classes of the investing sub-fund including this amount in the calculation of income reported to its Shareholders, which would generally be unfavourable for taxpaying UK Shareholders.

Income and deemed distributions – general principles

Subject to their own circumstances, individual or corporate investors resident for UK tax purposes will be liable to UK income tax or corporation tax in respect of dividends or other distributions of an income nature, including deemed distributions of any "excess income" arising to the investor each year under UK reporting fund regime principles over the sums distributed by the Fund ("excess income"). On an annual basis, the Fund will calculate and report the excess income per share, and actual distributions, for the reporting period for each Share Class with reporting fund status to all relevant investors. The excess income is deemed to arise to the UK investor six months following the end of the relevant reporting period (i.e. 30 June following the year end on the basis that the Fund continues to prepare financial statements to 31 December).

The above applies despite the fact that the relevant Shares are accumulation shares and no income will be ordinarily distributed to a RFSC shareholder in any period in respect of their holding, either in cash or by way of a distribution which is then immediately reinvested into further shares in the Fund.

(i) Individual investors

An individual who is resident for UK tax purposes and receives, or is deemed to receive, a relevant income distribution made by a non-UK resident fund is entitled to a non-refundable tax credit equal to one-ninth of the amount of the grossed up distribution and, depending on their personal circumstances, will be subject to income tax on the distribution at the basic rate of 10%, the higher rate of 32.5% or the additional rate of 37.5% (less a 10% notional tax credit which effectively reduces the effective dividend income tax rate to 0%/25%/30.55% respectively for the fiscal year 2013/2014). 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

Dividends and other income distributions paid or deemed to be paid to UK resident individual shareholders in respect of Shares in the Fund which are deemed to be 'bond funds' may be taxed as 'interest' as opposed to 'dividends' under Chapter 2 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (**ITTOIA 2005**) and the tax credit of one-ninth would not be relevant. In such cases, the applicable rates of tax for individuals would be 20% for basic rate taxpayers, 40% for higher rate taxpayers and 45% for additional rate taxpayers.

(ii) Corporate investors

Under Part 9A Corporation Tax Act 2009 where a dividend or other distribution, or a deemed distribution, is received by a company which is resident in the UK and is a 'small' company (being a company with less than 50 employees and either a turnover of less than €10million, or gross assets of less than Euro10M), that dividend will normally be exempt from corporation tax provided the payer is a resident of a qualifying territory. For the purposes of this legislation, the Fund is a resident of a qualifying territory, being the Republic of Ireland. Where a dividend or other distribution, or deemed distribution, is received by a company which is resident in the UK and is not a small company, that dividend will be exempt from corporation tax if the distribution falls into an exempt class. For the purposes of this legislation, exempt classes include distributions from controlled companies and distributions in respect of portfolio holdings where the recipient holds less than 10% of the issued share capital of the payer. 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.

In the case where the investment is a bond fund, any receipt would be reclassified as interest under the loan relationship rules (see below).

(iii) UK exempt investors and other 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. Again, it is recommended that these investors seek their own professional tax advice.

Capital gains – general principles

The relevance of reporting fund status for UK tax resident shareholders is that gains realized by investors on disposals of investments in RFSC shares, which retain their reporting fund status for the entire period in which the investor holds the investment, will in most circumstances be treated as a 'capital disposal' for UK taxation purposes.

(i) UK individual investors in RFSC

Individual shareholders who are resident in the UK may be liable to capital gains tax on capital disposals in certain circumstances.

Capital gains are taxed at 18% for basic rate UK individual taxpayers and at 28% for individual taxpayers paying tax at the higher or additional rate of tax. Any capital gains arising may be offset by capital losses and the annual exempt amount of the taxpayer.

(ii) UK corporate investors in RFSC

UK corporate investors are charged to corporation tax on chargeable gains at their marginal rate of corporation tax, currently being 20% for most companies with taxable profits of under £300,000 and 21% for companies with taxable profits of over £1.5 million (marginal rates apply to profits between these two limits). Any capital gains arising to corporate investors may be reduced by capital losses and the indexation allowance, which is an inflationary adjustment to base cost accruing between the purchase and disposal dates, where applicable.

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' the shares referable to the Fund will be treated for corporation tax purposes as being rights under a creditor relationship, with the result that all returns on the Shares in the Fund in respect of each corporate investor's accounting period (including gains, profits and deficits) will be taxed or relieved as an income receipt or expense on a 'mark to market' basis. Accordingly, a UK corporate investor in the Fund may, depending on its own circumstances, incur a charge to UK corporation tax on an unrealised increase in the value of its holdings of Shares (and, likewise, obtain relief against UK corporation tax for an unrealised reduction in the value of its holding of Shares) on an annual basis.

B. Taxation of UK resident investors in non-RFSC

(i) 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, and may qualify for the dividend exemption for corporate investors, subject to any reclassification as interest, as described above in the section entitled **Taxation of UK resident investors**.

As there are expected to be no distributions made by the Fund, and as a non-RFSC, there will be no deemed distributions, there should be no taxable income arising from distributions for UK investors.

(ii) Capital gains

Part 2 of the Regulations 2009 provides that if an investor who is resident in the UK for tax purposes holds an interest in a share class of an overseas fund that constitutes an offshore fund and that interest does not qualify as a "reporting fund" throughout the entire period during which the investor holds that interest, any gain accruing to the investor upon the sale, redemption or other disposal or part disposal of that interest (including, in certain circumstances, a conversion of shares within the fund) will be taxed at the time of such sale, redemption or disposal as

income ("offshore income gain") (without credit for any indexation which would otherwise be available). Any amounts taxable as an income receipt should be deductible from the proceeds from a capital gains tax perspective. This is of course subject to treatment as a bond fund for corporate investors, where appropriate. Where such gains are taxed as income, no relief will be available for any capital gains tax exemptions or reliefs.

Where a loss arises on disposal, such losses will be capital losses and are not available for offset against any offshore income gains or other income arising to the investor.

C. 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 neither intended to be an exhaustive list of such anti-avoidance legislation, nor 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 in the UK for tax purposes is particularly drawn to the following anti-avoidance provisions.

(i) 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 Company which constitutes a chargeable gain for UK purposes (such as on a disposal by the Company 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 Company 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 Company as a participator. A Shareholder could therefore incur a liability to tax even if the gain accruing to the Company had not been distributed by the Company. 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.

(ii) Chapter 2 of Part 13 of the Income Tax Act 2007 (ITA 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 UK 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 resulting in income becoming payable to persons (including companies) resident outside the UK. Under these provisions the individual may be rendered liable to income tax in respect of the undistributed income or profits of the Fund on an annual basis, where the income has not already been distributed to the individual under a separate provision

We would not expect these provisions to apply to income relating to a Share Class which has UK reporting fund status. Where a Share Class does not have UK reporting fund status, 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

(iii) Transaction in Securities

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

(iv) CFC Legislation

Companies resident in the UK for tax purposes should note that the "controlled foreign companies" (**CFC**) legislation contained in Part 9A of TIOPA 2010 could apply to any UK resident company which holds, alone, or together with certain other connected or associated persons, shares which confer a right to at least a 25 per cent direct or indirect interest in the profits of a non-resident company or fund which is controlled (as "control" is defined in Chapter 18 of Part 9A of TIOPA 2010) by persons (whether companies, individuals or others) who are resident in the UK. This legislation provides for certain exceptions including an exception for a company which has an interest in an offshore fund in certain circumstances. It is recommended that UK resident companies holding a right to 25 per cent or more of the profits of the Fund (directly or indirectly) should seek their own specific professional tax advice. These provisions are not directed towards the taxation of capital gains.

D. 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.

Transfers of shares which are executed in the UK or where there is any connection with the UK, such as the purchaser being UK resident, are technically liable to UK stamp duty on transfer at the rate of 0.5% of the consideration paid. However, this liability may effectively be avoided by ensuring that any transfer document is executed and retained outside the UK. No UK stamp duty should be payable if this is done. No Stamp Duty Reserve Tax (**SDRT**) is payable on any agreement to transfer the Shares because they are not "chargeable securities" for UK SDRT purposes.

E. Inheritance Tax

An individual Shareholder domiciled or deemed to be domiciled in the United Kingdom for inheritance tax purposes may be liable to inheritance tax on their Shares in the event of death or on making certain categories of lifetime transfers.