

## Guidance Note on Offshore Funds

This Guidance Note is provided for the use of fund management groups who wish to have Offshore Funds included in the Investment Association sectors.

### Section I: General information

1. The Investment Association website contains relevant documents which include:
  - a) Investment Association sector definitions
2. The fund put forward for classification by an offshore fund provider must:
  - a) be a UCITs, registered for sale in the UK
  - b) have at least one share class in the fund that has HMRC Reporting Fund status
3. Fund providers will need to complete the following forms:
  - a) Offshore fund static data form
  - b) Guidance note Tick List
  - c) Investment Association templates for assets and sales – which should be filled in (as described in section D of the Investment Association Overseas guidelines) and returned each month to enable the Investment Association to report the data in its monthly statistical report for UTs/OEICs sold to UK investors – failure to fill these in may hold up the classification process or lead to withdrawal of a classification if data submission becomes infrequent.

### Section II: Initial requirements for firms submitting offshore funds for classification

Firms submitting offshore funds for classification should be members of The Investment Association or should have applied for membership. We offer three categories of membership: full, affiliate and sector. Details can be found on the website: <https://www.theia.org/about-us/join-ia>

Receipt of the relevant subscription fees is required before classification can be confirmed.

Information is required by The Investment Association before funds can be considered for entry to the sectors. Once accepted, fund management groups will have to submit monthly portfolio holdings data monthly to the monitoring company, Morningstar, as well as providing fund FUM and sales data to The Investment Association.

There is an ongoing requirement to make sure that providers of performance data have the relevant information to enable net (of tax) performance comparisons on a like for like basis with UK domiciled funds.

#### 1. Data required for The Investment Association

- a) Offshore fund static data form
- b) Tick List
- c) Completed Investment Association template of assets and sales (see 3c)
- d) Latest fund prospectus and marketing literature and UK contact details for the person responsible for communication of breach or monitoring issues.

#### 2. Portfolio holdings data required for the monitoring company, Morningstar – to measure compliance with the proposed sector parameters

- a) The attached zip file (request from [sectors@theia.org](mailto:sectors@theia.org) if necessary) provides supporting content regarding delivery of this data. As detailed in the 'data delivery' and 'data visibility' sheets, you must speak to your Morningstar Data Consultant to complete this onboarding. If you do not know your Morningstar Data Consultant, please contact [TheIA@morningstar.com](mailto:TheIA@morningstar.com) and they will connect you.

**3. Data required for all data vendors who would typically produce widely available performance data (at this time – FE FundInfo, Lipper Refinitiv and Morningstar) – to put performance data on a like for like basis with UK domiciled funds**

- a) Historic data values
- b) Historic income, both paid and accumulated in the cash amount in the local currency per unit
- c) Historic X-dividend dates
- d) Historic payment dates
- e) Latest Fund Prospectus
- f) ISIN for relevant share classes
- g) Launch date of fund and the launch date of the relevant share class

THE ONUS IS ON FIRMS TO PROVIDE THE APPROPRIATE INFORMATION TO ENABLE CLASSIFICATION AND PUBLICATION (BY THE DATA VENDORS) OF THE CORRECT PERFORMANCE DATA. INSUFFICIENT DATA IS LIKELY TO DELAY THE CLASSIFICATION PROCESS OR LEAD TO MISLEADING PERFORMANCE DATA WITHIN THE RANKING TABLES OR SECTOR AVERAGES PROVIDED BY THIRD PARTY DATA VENDORS.

**Section III: Further information and requirements for classification of offshore funds to Investment Association sectors**

**1. Further information**

- a) The appropriate share class will be included by the data vendors in their league tables for Investment Association sectors after checking for reporting fund status. There may be a delay in implementation between receiving an Investment Association classification and the fund appearing in peer group ranking tables. These issues should be taken up directly with the data vendors.
- b) Any performance tables based on Investment Association sectors will quote performance on like-for-like basis with onshore funds i.e. the gross returns will be adjusted by the data vendors to a net basis in order to reflect what a UK basic rate taxpayer would theoretically receive if prevailing UK tax rates were applied.

**2. Continuing requirements**

- a) Firms should ensure that any fact sheets for offshore funds which are aimed at UK investors and that use Investment Association Sectors as a comparator use the appropriate performance figures i.e. taxed at the relevant rate for a UK basic rate taxpayer.
- b) Firms should ensure that the Financial Conduct Authority's "Treating Customers Fairly" initiative is honoured in spirit and fact.
- c) If the fund specification allows investment limits which sit outside of the parameters defined within the Investment Association sector, there should be a commitment to stay within the Investment Association's limits.
- d) Firms must notify The Investment Association if there is a material change to the fund's investment policy that will affect which sector is appropriate for the fund.
- e) Firms must continue supplying the data values, income (both paid and accumulated), xd and payment dates to all data vendors.
- f) Firms must supply monthly portfolio holdings data to Morningstar to ensure compliance with Investment Association sector limits.
- g) Firms must continue to supply asset and sales data to The Investment Association for funds sold to UK investors, for all the offshore funds that the fund manager has, not just the ones that have been included into the Investment Association sectors. Funds that do not require classification to a mainstream sector should request classification to the Offshore Unclassified sector on the fund static data form.