

**Manning, Deborah**

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**From:** Dan Holmes <d\_holmes@summitstrategies.com>  
**Sent:** Friday, December 04, 2015 7:01 PM  
**To:** Dan Holmes  
**Cc:** Geoff Seavey; Matt Jelinek; Sam Swofford  
**Subject:** FW: Silchester - Cross Trading

Greetings All:

Please see the email below regarding the recent notice you should have received from Silchester regarding new cross-trading rules. Please note Summit is recommending you complete the attached form and return it to Silchester as explained below.

Please contact me (or Geoff Seavey in my absence) if you have any questions.

Warm Regards,

Dan Holmes  
Summit Strategies Group  
314-727-7211

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**From:** Geoff Seavey  
**Sent:** Friday, December 04, 2015 8:52 AM  
**To:** .Summit Solutions; Dan Holmes; Eric Ralph; Julie Brannam; Matt Jelinek; Michael Lauer; Paul Staples; Phineas Troy; Sam Swofford; Steve Holmes; Tim Sant; Tom Pollihan; Trevor Jackson  
**Cc:** Roger Brown  
**Subject:** Silchester - Cross Trading

All,

Clients of Silchester that are in the Group Trust were recently notified that the firm's cross trading policies and procedures are being modified. Silchester is requesting that the client print out the attached "Investor Notice and Authorization", complete the details shown on the second page, sign it and return it via email to [mbrucaj@silchester.com](mailto:mbrucaj@silchester.com) before December 15th.

We recommend that the all Summit clients comply with this request.

Back in 2013, Silchester received an Individual Exemption from the Department of Labor (DOL) that allowed them to cross trade their Group Trust (ERISA vehicle) with their non-ERISA vehicles. These non-ERISA vehicles include their Business Trust, Taxable Trust, Tobacco Free Trust, and Calleva Trust. One of the DOL hurdles for the Individual Exemption was that Silchester employees' ownership could not exceed 10% of any of the non-ERISA funds with which the Group Trust was to cross trade.

As a result of recent changes in UK tax rules and AIFMD/UCITS regulations, Silchester employees are being forced to consolidate their personal investments from the Silchester Taxable Trust, Tobacco Free Trust, and the Calleva Trust into the Calleva Trust throughout 2016. This will mean that Silchester employees will control more than 10% of the Calleva Trust and if the Group Trust were to cross trade with the Calleva Trust, it would be a violation of the Individual Exemption.

In order to maintain the Group Trust's flexibility to conduct cross trades with the Calleva Trust, Silchester is looking to rely on the DOL's Statutory Exemption for Cross Trading of Securities. There are several differences between Silchester's Individual Exemption and the Statutory Exemption. These include:

- Under the Individual Exemption, a unitholder (of the Group Trust) must have more than \$25m of plan assets. Under the Statutory Exemption, a unitholder must have in excess of \$100m of plan assets.
- Under the Individual Exemption, Silchester employees cannot control more than 10% of the Calleva Trust. The Statutory Exemption does not impose a similar restriction.
- Under the Individual Exemption, a unitholder must determine whether cross trading is in the best interest of their pension plan and the Group Trust more generally. Under the Statutory Exemption, this is Silchester's responsibility.
- Under the Individual Exemption, the Group Trust must have net contributions or redemptions of US\$10m before being eligible to participate in a cross trade. Under the Statutory Exemption, this threshold is removed and replaced by a test looking at forecast cash levels and dispersion after the cross trade.
- Under the Individual Exemption, a cross trade must be approved at least two business days before month end. Under the Statutory Exemption, it must be approved at least one business day before month end. We prefer this lower threshold because it minimizes dispersion.

The clients included on Silchester's notification have well over \$100 million in plan assets and as such can remain in the Group Trust by signing the attached Investor Notice and Authorization. Those ERISA plans with less than \$100 million are being asked to move from the Group Trust to the Tobacco Free Trust. The Tobacco Free Trust has experienced a performance drag (relative to the Group Trust) of about 10 to 15 bps, less as a result of holding slightly different stocks but more as a result of the more favourable tax treatment of the Group Trust.

Please let me know if you have any questions.

Geoff