

17 April 2023

Dear Shareholder

Removal of Income Smoothing

We, Santander Asset Management UK Limited, are writing to you in our capacity of authorised corporate director (“**ACD**”) of the companies listed at Schedule 1 (each a “**Company**”), to advise you of a change to the way income will be paid to shareholders in the sub-funds identified in Schedule 1 (each a “**Fund**”).

This change will be reflected in updates to the prospectus of each Company and, where applicable, other documents for the Funds (together the “**Fund Documents**”) and will be effective from the effective dates set out in Schedule 1 (the “**Effective Dates**”).

This is a change to the process around payment of income from the Funds only and there will be no change to any Fund’s investment objective, policy or process, or overall risk profile, as a result of this change.

Background

Currently, each Fund makes an income distribution to shareholders related to each month or quarter (depending on Fund, the relevant “**Payment Period**”) of its financial year. The ACD seeks to “smooth” any such income payments so that an equal amount is paid to you throughout the year, with a final balancing income payment being made in the final Payment Period. The smoothed rate is not guaranteed and may change throughout the year dependent on market conditions. The final Payment Period’s balancing income payment is dependent on the actual level of income earned by a share class during the financial year and is usually higher or lower than the smoothed rate you have received in prior Payment Periods. This “income smoothing” is a feature of how the income earned by each Fund is paid out to shareholders and is not an investment objective of any Fund.

Why we are Removing Income Smoothing from the Funds

Recent market volatility has significantly affected the ability of the ACD to accurately predict the level of income that will be received by the Funds in any given Payment Period of the financial year and therefore, set the smoothed rate for each Fund. Due to this, a number of Funds have been subject to revised “smoothed rates” being communicated during the past financial year.

Therefore, with a view to enable the ACD to effectively manage the expected ongoing market volatility, and following a review of market practice, discussion with industry bodies and a review of shareholder experience over recent periods, we believe it is in the best interests of the shareholders to no longer apply income smoothing to the Funds.

From the Effective Dates of this change, we will instead, for each Payment Period of a Fund’s financial year, pay out to shareholders all income accrued by the share class they are invested in during that Payment Period (the “**Natural Income**”).

Details and Impact of the Removal of Income Smoothing

After the Effective Dates, the amount of income you receive for each Payment Period will vary depending on the amount of income available in the Fund to be paid out. The ACD will not be holding back any income earned by the Fund.

How the removal of income smoothing is expected to impact the fluctuation in income payments received by you depends on the Fund/s you are invested in and that Fund’s underlying

investments and relevant Payment Period. A summary of the timing and likely impact for the shareholders in each Fund is set out in Schedule 2.

It is important to note that this change will not affect any of the Funds' income objectives and that 100% of the income earned during the year will be paid out to shareholders as previously.

When passing on the content of this letter to your customers, please direct them to their usual financial adviser if they require any advice on the removal of income smoothing. Should you have any questions in relation to this letter, please email us at ukinstitutional@santanderam.com.

Yours faithfully



Iulita Georgieva, Head of Product & Marketing
For and on behalf of Santander Asset Management UK Limited

Schedule 1**Part A – Company and Fund Details; Effective date of change**

Company	Funds	Effective date of change
Santander Managed OEIC	Santander Enhanced Income Portfolio	1 August 2023
Santander Managed Investments OEIC	Santander Atlas Income Portfolio	1 August 2023
Santander Managed Investments OEIC	Santander Max 30% Shares Income Portfolio	1 August 2023
Santander Managed Investments OEIC	Santander Max 60% Shares Income Portfolio	1 August 2023
Santander Managed Investments OEIC 2	Santander Sterling Bond Income Portfolio	16 July 2023

Schedule 2

Fund	Timing of implementation and potential impact on income payments												
<p>Santander Enhanced Income Portfolio</p>	<p><u>Income Payments (Monthly)</u></p> <table border="1" data-bbox="480 454 1399 707"> <thead> <tr> <th data-bbox="480 454 943 488">Payment dates</th> <th data-bbox="943 454 1399 488">Payment</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 488 943 521">To 31 March 2023</td> <td data-bbox="943 488 1399 521">Smoothed payment</td> </tr> <tr> <td data-bbox="480 521 943 584">30 April 2023</td> <td data-bbox="943 521 1399 584">End of Financial Year balancing payment</td> </tr> <tr> <td data-bbox="480 584 943 618">31 May- 31 July 2023</td> <td data-bbox="943 584 1399 618">Smoothed payment</td> </tr> <tr> <td data-bbox="480 618 943 680">31 August 2023</td> <td data-bbox="943 618 1399 680">Smoothing removal balancing payment</td> </tr> <tr> <td data-bbox="480 680 943 707">From 30 September 2023</td> <td data-bbox="943 680 1399 707">Natural Income</td> </tr> </tbody> </table> <p data-bbox="480 741 1399 925">Following the removal of income smoothing, given the Fund is invested solely in equities (and therefore its income is collected mainly from dividends, which can vary significantly and sometimes not be issued at all) <u>it is expected that there will be a high level of fluctuation in the monthly income paid out to shareholders</u> (relative to other months and the previous smoothed level of monthly income)</p> <p data-bbox="480 958 1399 1048">As the accounting year end (31 March 2023) for this Fund falls before the removal of income smoothing, the fund will continue to pay out smoothed income for 3 payments of the 2023/24 accounting year.</p>	Payment dates	Payment	To 31 March 2023	Smoothed payment	30 April 2023	End of Financial Year balancing payment	31 May- 31 July 2023	Smoothed payment	31 August 2023	Smoothing removal balancing payment	From 30 September 2023	Natural Income
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<p>Santander Max 60% Shares Income Portfolio</p>	<p><u>Income Payments (Quarterly)</u></p> <table border="1" data-bbox="480 365 1401 524"> <thead> <tr> <th data-bbox="480 365 943 398">Payment dates</th> <th data-bbox="943 365 1401 398">Payment</th> </tr> </thead> <tbody> <tr> <td data-bbox="480 398 943 432">To 30 June 2023</td> <td data-bbox="943 398 1401 432">Smoothed payment</td> </tr> <tr> <td data-bbox="480 432 943 488">30 September 2023</td> <td data-bbox="943 432 1401 488">End of Financial Year balancing payment</td> </tr> <tr> <td data-bbox="480 488 943 524">From 31 December 2023</td> <td data-bbox="943 488 1401 524">Natural Income</td> </tr> </tbody> </table> <p data-bbox="480 555 1401 741">Following the removal of income smoothing, given the Fund's asset exposure and quarterly income distributions (which means it is less impacted by dividend seasons and month on month fluctuations), it is <u>expected there will be a low level of fluctuation in the quarterly income paid out to shareholders</u> (relative to other quarters and the previous smoothed level of quarterly income).</p>	Payment dates	Payment	To 30 June 2023	Smoothed payment	30 September 2023	End of Financial Year balancing payment	From 31 December 2023	Natural Income
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