

SECTOR MUTUAL AND EXCHANGE TRADED FUNDS (SECTOR FUNDS)



Why is this important?

- Ownership of more than \$50,000, in aggregate, in sector funds focused on a single industry or business, country, or bonds of a single state creates the possibility of a liability for you under the criminal conflict of interest statute, 18 U.S.C. § 208.
- You may be prohibited from owning funds concentrated in certain sectors by your agency’s ethics regulation.
- If you file a Confidential Financial Disclosure Report (OGE Form 450) you are required to report any sector fund worth more than \$1,000. Annual filers must also report any sector fund that produced more than \$1,000 in income. (OGE Form 278e filers report both diversified and sector funds).

What qualifies as a sector fund?

- Any fund that focuses on investing in the bonds of a **single U.S. state**.
 - Examples: New York Bond Fund or California Bond Fund
- Any fund that focuses on investing in a **single country** other than the United States.
 - Examples: Canada Fund, India Fund, or a Japan Bond Fund
- Any fund that concentrates its investments in a **single business or industry**.

What are some of the most common examples for Sector and Diversified Funds?

Sector	Diversified
Utilities Fund	S&P 500 Fund
Telecommunications Fund	Large Cap/Mid Cap/Small Cap Fund
Energy Fund	Emerging Markets Fund
Health Care/Health Sciences/Biotechnology	Technology Fund
Financial Services Fund (including Cryptocurrency Funds)	Growth/Value/Income Fund
Precious Metals Fund (including Gold Funds or Silver Funds)	Targeted Dated Fund (e.g. 2035 Fund)
Defense & Aerospace Fund	Natural Resources Fund
Transportation Fund	Industrials Fund
Mortgage-Backed Securities (MBS) or Mortgage REIT Fund	Long-Term Debt Fund
Software Fund	Information Technology Fund
Healthcare REIT Fund	US REIT Fund
Japan Fund	Pacific/Asia/European Fund
California Bond Fund	Municipal Bond Fund

If you have questions about whether what you own is a sector fund or if the sector fund creates an ethics issue for you, please consult with your agency ethics official.