

# Conversion of shares following tax changes

31 January 2017

We wrote to you on 31 July 2016 to let you know that the UK government announced that no tax will be deducted from any interest distributions made by bond funds<sup>1</sup> from 6 April 2017.

As a result of this government change, all of the shares in our OEIC bond funds are now priced without the deduction of income tax.

Because you are already invested in a 'gross' share class (i.e. tax has not been deducted) in an Investec bond fund, there will be no change to the way your interest distributions are taxed or how your share class is priced.

However, because of this change in tax law, existing 'net' share classes (i.e. share classes where tax has been deducted) in our OEIC bond funds will also pay interest distributions gross of tax, which means there will be duplicate gross distributing share classes in some of the OEIC Investec bond funds.

In order to reduce costs and to avoid having two share classes in a fund which are essentially the same, we are going to combine these two share classes together. We will do this by moving you from your current share class (the 'Current Shares') into the other existing gross interest paying share class in the same fund (the 'New Shares').

The OEIC funds and share classes affected are listed in the below table.

The move (known as a 'conversion') does not require shareholder approval and **you do not need to take any action as a result of it.**

## How will the conversion work?

Your Current Shares will automatically be converted into the New Shares in the same fund at midday on 7 April 2017. The New Shares you will receive are as follows:

SHARES	ISIN	NEW SHARES <sup>2</sup>	ISIN
Emerging Markets Blended Debt Fund, A, Acc, GBP, Gross	GB00B7YB4D81	Emerging Markets Blended Debt Fund, A, Acc, GBP	GB00B8GBN582
Emerging Markets Blended Debt Fund, I Acc, GBP, Gross	GB00B8HGVH09	Emerging Markets Blended Debt Fund, I, Acc, GBP	GB00BJFLDK12
Emerging Markets Local Currency Debt Fund, A, Acc, GBP, Gross	GB00B1XDJP05	Emerging Markets Local Currency Debt Fund, A, Acc, GBP	GB00B1XDJM73
Emerging Markets Local Currency Debt Fund, A, Inc-2, GBP, Gross	GB00B1XDJR29	Emerging Markets Local Currency Debt Fund, A, Inc-2, GBP	GB00B1XDJQ12
Emerging Markets Local Currency Debt Fund, I, Acc, GBP, Gross	GB00B1XFKV93	Emerging Markets Local Currency Debt Fund, I, Acc, GBP	GB00B3TB1H89
Emerging Markets Local Currency Debt Fund, I, Inc-2, GBP, Gross	GB00BSJCSM01	Emerging Markets Local Currency Debt Fund, I, Inc-2, GBP	GB00B58SJV49
Target Return Fund, I, Acc, GBP, Gross	GB00BWBSJP59	Target Return Fund, I, Acc, GBP	GB00B0FNM414
Target Return Fund, I, Inc, GBP, Gross	GB00BXNSW940	Target Return Fund, I, Inc, GBP	GB00B71DHL68

<sup>1</sup>A bond fund for tax purposes is a fund which invests at least 60% of its assets in qualifying interest-bearing securities such as bonds.

<sup>2</sup>Please note currently these shares are called 'net' shares. As set out in the January statement mailing, these net shares now pay gross interest distributions and all share classes are being renamed to remove any reference to 'net' or 'gross' as the distinction is no longer relevant.

The conversion is expected to take place at midday on 7 April 2017, although we may agree another time or date with the Depositary. Please note that dealing in the Current Shares will cease from 12:00pm on 7 April 2017. Any requests we receive to deal in your Current Shares after this time will be treated as requests to deal in your New Shares. The first dealing time in the New Shares after the conversion will be 12:00pm on 10 April 2017.

From midday on 7 April 2017, the Current Shares will be deemed to be cancelled. We will provide you with confirmation of the number and price of the New Shares issued to you as part of the conversion by 10 April 2017.

The value of New Shares issued to you will be the same as the value of the Current Shares which you currently hold, however, the number and price of your New Shares will be different.

Please note the rights attached to your New Shares will be equivalent to those of your Current Shares and your income position will be unchanged as a result of this conversion.

Subject to the Administrator receiving any new mandates or instructions ( for example, regular savings plan or payment of income or redemption proceeds) to the contrary, mandates and other instructions in force on the 7 April 2017 in respect of the Current Shares will be deemed to apply to the New Shares.

### **Tax implications**

No stamp duty reserve tax or stamp duty will be payable in respect of this conversion. The exchange of your Current Shares for New Shares will not be treated as a disposal for capital gains purposes. Instead, the New Shares will take on the acquisition cost and acquisition date of your Current Shares.

### **Redemption, switch or conversion of Current Shares prior to the conversion date**

If you do not wish to receive New Shares in the fund you are invested in, you can redeem your Current Shares at any time prior to midday on 7 April 2017. Additionally, you may convert to another share class of your fund or switch into another Investec sub-fund, provided that you meet the relevant investment criteria. Please note, however, that other Investec sub-funds and share classes may have different charging structures to the Shares and New Shares in your Fund. Switching your investment to another sub-fund is likely to be treated as a disposal for capital gains tax purposes.

### **Charges**

There is no charge for the conversion and all ongoing charges associated with your New Shares are the same as for the Current Shares.

### **Key Investor Information Document**

A copy of the relevant Key Investor Information Document (KIID) for the New Shares is enclosed. The KIID contains essential information on your New Shares in your fund.

# Changes to tax on interest distributions for net shareholders in Investec bond funds

31 January 2017

We wrote to you on 31 July 2016 to let you know that the UK government announced that the way interest payments from bond funds<sup>1</sup> are taxed would be changing. From 6 April 2017, all interest payments will be paid gross (i.e. without the deduction of any income tax) rather than net (i.e. with the deduction of income tax).

As a result of this change, all share classes of Investec OEIC bond funds are now priced without the deduction of tax (i.e. 'gross'). This includes shares in Investec bond funds which still have 'net' in their name ('Net Shares').

We are writing to you again as a holder of Net Shares in an Investec OEIC bond fund to remind you of the key information related to this tax change.

Which funds are bond funds?

The Investec bond funds are currently as follows:

- Diversified Income Fund;
- Emerging Markets Blended Debt Fund;
- Emerging Markets Local Currency Debt Fund;
- Monthly High Income Fund;
- Short Dated Bond Fund; and
- Target Return Bond Fund.

## When will I start receiving gross interest distributions?

The date from which your Net Shares will be priced gross is set out in the below table.

You will receive interest payments from the above Investec bond funds gross and, therefore, without any tax deduction from the first distribution payment date after 6 April 2017. For most of the Investec bond funds, this will be the 30 April 2017. However, for the Short Dated Bond Fund it will be 31 July 2017.

FUND	DATE FROM WHICH YOUR NET SHARES WERE PRICED GROSS	FIRST GROSS DISTRIBUTION DATE
Diversified Income	1 February 2017	30 April 2017
Emerging Markets Blended Debt	1 December 2016	30 April 2017
Emerging Markets Local Currency Debt	1 December 2016	30 April 2017
Monthly High Income	1 February 2017	30 April 2017
Short Dated Bond	1 June 2016	31 July 2017
Target Return	1 December 2016	30 April 2017

Please find the full table, including share classes and ISINs, at the end of this document.

If tax is due on your gross interest payments, you may need to declare this on your tax return.

<sup>1</sup>A bond fund for tax purposes is a fund which invests at least 60% of its assets in qualifying interest-bearing securities such as bonds.

## Are you updating the name of my Net Shares to remove the word 'net'?

As set out in the cover letter, from 7 April 2017, your Net Shares will be re-named to delete the word 'net'. This does not affect the number of shares you hold with us or any share class identifier (such as its ISIN code). All fund documentation will be updated on 7 April 2017 to reflect this change.

## Share classes and ISINs

SHARE CLASS	NET CLASS ISIN	DATE FROM WHICH YOUR NET SHARES WERE PRICED GROSS	FIRST GROSS DISTRIBUTION DATE
Diversified Income, A, Acc, Net, GBP	GB0031074924	1 February 2017	30 April 2017
Diversified Income, A, Inc-2, Net, GBP	GB0031078560	1 February 2017	30 April 2017
Diversified Income, B, Acc, Net, GBP	GB00BYXJPW82	1 February 2017	30 April 2017
Diversified Income, B, Inc-2, Net, GBP	GB00BYXJPX99	1 February 2017	30 April 2017
Diversified Income, I, Acc, Net, GBP	GB00B2Q1J923	1 February 2017	30 April 2017
Diversified Income, I, Inc-2, Net, GBP	GB00B7700K18	1 February 2017	30 April 2017
Diversified Income, J, Acc, Net, GBP	GB00BD5J0T15	1 February 2017	30 April 2017
Diversified Income, J, Inc-2, Net, GBP	GB00BD5J0Y67	1 February 2017	30 April 2017
Diversified Income, K, Acc, Net, GBP	GB00BYXJPY07	1 February 2017	30 April 2017
Diversified Income, K, Inc-2, Net, GBP	GB00BYXJPZ14	1 February 2017	30 April 2017
Diversified Income, R, Acc, Net, GBP	GB00B8DKCF10	1 February 2017	30 April 2017
Diversified Income, R, Inc-2, Net, GBP	GB00B80NKV50	1 February 2017	30 April 2017
Emerging Markets Blended Debt, A, Acc, Net, GBP	GB00B8GBN582	1 December 2016	30 April 2017
Emerging Markets Blended Debt, A, Inc-2, Net, GBP	GB00B8HJ5D37	1 December 2016	30 April 2017
Emerging Markets Blended Debt, I, Acc, Net, GBP	GB00BJFLDK12	1 December 2016	30 April 2017
Emerging Markets Blended Debt, I, Inc-2, Net, GBP	GB00B7PWB404	1 December 2016	30 April 2017
Emerging Markets Blended Debt, J, Acc, Net, GBP	GB00BD5J0V37	1 December 2016	30 April 2017
Emerging Markets Blended Debt, J, Inc-2, Net, GBP	GB00BD5J0Z74	1 December 2016	30 April 2017
Emerging Markets Blended Debt, R, Acc, Net, GBP	GB00B8K52933	1 December 2016	30 April 2017
Emerging Markets Blended Debt, R, Inc-2, Net, GBP	GB00B7LTTT66	1 December 2016	30 April 2017
Emerging Markets Local Currency Debt, A, Acc, Net, GBP	GB00B1XDJM73	1 December 2016	30 April 2017
Emerging Markets Local Currency Debt, A, Inc-2, Net, GBP	GB00B1XDJQ12	1 December 2016	30 April 2017
Emerging Markets Local Currency Debt, I, Acc, Net, GBP	GB00B3TB1H89	1 December 2016	30 April 2017
Emerging Markets Local Currency Debt, I, Inc-2, Net, GBP	GB00B58SJV49	1 December 2016	30 April 2017
Emerging Markets Local Currency Debt, R, Acc, Net, GBP	GB00B7W2BG50	1 December 2016	30 April 2017
Emerging Markets Local Currency Debt, R, Inc-2, Net, GBP	GB00B88MZG48	1 December 2016	30 April 2017
Monthly High Income, A, Acc, Net, GBP	GB0031141798	1 February 2017	30 April 2017
Monthly High Income, A, Inc-2, Net, GBP	GB0031141681	1 February 2017	30 April 2017
Monthly High Income, I, Acc, Net, GBP	GB00B2Q1JD67	1 February 2017	30 April 2017

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**CONVERSION OF SHARES FOLLOWING TAX CHANGES**

<b>SHARE CLASS</b>	<b>NET CLASS ISIN</b>	<b>DATE FROM WHICH YOUR NET SHARES WERE PRICED GROSS</b>	<b>FIRST GROSS DISTRIBUTION DATE</b>
Monthly High Income, I, Inc-2, Net, GBP	GB00B7MDT866	1 February 2017	30 April 2017
Monthly High Income, R, Acc, Net, GBP	GB00B8PLF315	1 February 2017	30 April 2017
Monthly High Income, R, Inc-2, Net, GBP	GB00B8PLQH25	1 February 2017	30 April 2017
Short Dated Bond, A, Acc, Net, GBP	GB00B8CYMD23	1 June 2016	31 July 2017
Target Return, A, Acc, Net, GBP	GB00B12B5V34	1 December 2016	30 April 2017
Target Return, A, Inc, Net, GBP	GB00B7076N45	1 December 2016	30 April 2017
Target Return, I, Acc, Net, GBP	GB00B0FNM414	1 December 2016	30 April 2017
Target Return, I, Inc, Net, GBP	GB00B71DHL68	1 December 2016	30 April 2017
Target Return, R, Acc, Net, GBP	GB00B8KYT559	1 December 2016	30 April 2017



31 January 2017

Dear Investor,

We are pleased to enclose your investment update for the Investec OEIC Fund range, which covers the six-month period from 1 July to 31 December 2016. If applicable, letters outlining changes to the OEIC Fund(s) in which you are invested are also enclosed.

### **Changes to the OEIC Prospectus**

Overleaf, we outline two changes we are making to the OEIC Prospectus:

01. The removal of references to 'net' and 'gross' in all share class names; and
02. Provision to compulsory convert all shareholders between share classes in the same Fund.

Please note no action is required from you in relation to these changes, however we encourage you to read the full information provided overleaf.

### **Discontinuance of OEIC short reports**

After a period of consultation the Financial Conduct Authority (FCA) recently removed the requirement for Authorised Fund Managers of OEIC Funds to produce and send the short report to investors. This became effective from 22 November 2016. Enclosed in your statement booklet you will find further information on this change, including details as to where you can find information that was previously provided in the short report.

### **Market views**

For our latest market views, please visit [www.investecassetmanagement.com/marketviews-uk](http://www.investecassetmanagement.com/marketviews-uk).

### **Online access**

If you would like to access Indicator, Investec Asset Management's online account service, please visit [www.investecassetmanagement.com/indicator](http://www.investecassetmanagement.com/indicator). Indicator gives you access to valuations and transaction histories in your preferred choice of currency. For keeping up to date with the latest information on our funds please visit [www.investecassetmanagement.com](http://www.investecassetmanagement.com), where you can chart performance histories, compare funds and source fund prices and dividend information.

### **Further information**

If you have any queries regarding this investment update, please contact your financial or tax advisor in the first instance. If you do not have a financial advisor but would like to find one, please visit [www.unbiased.co.uk](http://www.unbiased.co.uk), which is a directory of independent financial advisors.

Alternatively, you can contact us using the details at the top of this letter.

Thank you for your investment with us.

Yours faithfully,



David Aird  
Managing Director



## **1. Removing references to 'net' and 'gross' from all share class names**

All of the share classes in our Funds are classified as either 'net' or 'gross'. We refer to these classifications in some of our Fund documents, including the Prospectus and Factsheets. However, from 7 April 2017 the distinction is no longer needed and we will be removing references to these two different classifications in our share class names. For example, the 'Cautious Managed Fund, A, Acc, Net, GBP' share class will just be referred to as the 'Cautious Managed Fund, A, Acc, GBP'.

This does not affect the number of shares you hold with us or any share class identifier (such as its ISIN code). All fund documentation will be updated on 7 April 2017 to reflect this change.

Additional information for investors in our bond funds

The Investec bond funds are listed below:

- Diversified Income Fund
- Monthly High Income Fund
- Short Dated Bond Fund
- Emerging Markets Local Currency Debt Fund
- Emerging Markets Blended Debt Fund
- Target Return Fund

We wrote to you on 31 July 2016 to let you know that the UK government announced that no tax would be deducted from any interest distributions made by bond funds from 6 April 2017. As a result, all of the shares in our bond funds are now priced without the deduction of tax.

At the moment, those bond fund share classes that previously had tax deducted are still called 'net' share classes (i.e. tax has been deducted), while those share classes that have never had tax deducted are still called 'gross' share classes (i.e. tax has not been deducted).

Given that from 6 April 2017 we no longer need to deduct tax on interest distributions, all share classes in our bond funds will pay interest distributions gross. As there is no need to distinguish between 'net' and 'gross' anymore, we are removing the reference to 'net' and 'gross' from all of our share class names on 7 April 2017, as already mentioned above.

If necessary, investors in both 'net' and 'gross' bond fund share class investors will receive further information from us about this change.

## **2. Compulsory conversion between share classes in the same fund**

We are introducing the ability to move all investors in a share class to another share class in the same Fund. This is known as a compulsory conversion. This ability is for use where we reasonably believe it is in the interests of shareholders.

This might be where we believe a share class is too small and, therefore, uneconomical and we think it is in the interests of shareholders to be moved into another share class in the same Fund. Another example would be where two share classes were identical (or very similar) in their features and so it does not make sense to continue to run two such similar share classes at the same time.

This capability will be introduced into our Prospectus on 7 April 2017. We will only ever use this capability to move all investors between share classes when we believe it is in your interests and we will give you 60 days' written notice before doing so.