

THIS DOCUMENT CONTAINS IMPORTANT INFORMATION IN RELATION TO YOUR CLIENTS INVESTMENT

30 September 2014

Dear Advisor,

Changes to Investec UK Special Situations Fund

We are writing to you as you have clients invested in the UK Special Situations Fund (the 'Fund'), a sub-fund of our Investec Funds Series i OEIC, to inform you about an important change we are making to the Fund.

Please take the time to read this letter carefully as it provides important information. Your clients are not required to take any action.

The change relates to the charges and expenses policy of the Fund. This policy determines whether the charges and expenses incurred by the Fund are paid for out of income earned by the Fund, out of the capital value of the Fund, or out of a mixture of both income and capital.

In summary, the change to this policy, which will take place on 5 December 2014, is as follows:

Current policy	New policy
50% of charges and expenses paid for out of the <u>income</u> earned by the Fund	100% of charges and expenses paid for out of the <u>income</u> earned by the Fund
50% of charges and expenses paid for out of the <u>capital value</u> of the Fund	

Please note, this change will affect the way in which the charges and expenses of the Fund are allocated but not the amount of those charges and expenses.

What is the background to the change?

All funds incur certain charges and expenses in their day to day operation, such as the fees payable to us as the manager of the fund.

We set a formal policy for our funds which states whether these charges and expenses get paid, in the first instance, by the income a fund may earn, out of the capital value of the fund, or a mixture of both. This has normally been decided upon based on the investment objective of the fund and whether a fund's aim is to provide your clients with income, to grow their capital, or both.

As stated above, the current policy for the Fund is to split charges and expenses evenly between the income earned by the Fund (where available) and the capital value of the Fund.

While this can increase the distributable income of the Fund (which may be taxable), it reduces the capital growth to an equivalent extent and may therefore constrain future capital and income growth.

We regularly review how charges and expenses are paid for across our fund ranges. For all of our funds we have determined that available share classes should now either allocate all charges and expenses to income earned or all charges and expenses to the capital value of the share class. For the Fund this removes the existing option of charges and expenses being taken from a mixture of income and capital.

What do these changes mean for your clients if they hold income shares?

For 'income' ('Inc') shares, any income earned is distributed to investors at the end of the accounting periods of the Fund.

From 5 December 2014, all charges and expenses will now be paid out of the income earned in the first instance. Charges and expenses will only be taken out of the capital value of Inc shares if the income earned is less than the charges and expenses.

For UK tax payers, subject to their individual tax circumstances, with charges and expenses being paid for out of income instead of capital, this income distribution will be reduced to an equivalent extent, which may reduce the risk of capital erosion and the amount of income tax due. Investors should seek professional tax advice for further information based on their own tax status.

What if your clients prefer to be in a share class where all charges and expenses are paid out of the capital value?

If income is a priority over capital growth for your clients and they would prefer to invest in an income share class where all charges and expenses are taken out of the capital value of the Fund, please contact us to discuss this.

We will be launching 'income 2' ('Inc-2') share classes for the UK Special Situations Fund on 5 December 2014. The new Inc-2 share classes for the Fund will have charges and expenses paid for out of the capital value.

While this can increase the distributable income of a Fund (which may be taxable), it reduces the capital growth to an equivalent extent and may therefore constrain future capital and income growth.

For UK tax payers, subject to their individual tax circumstances, with charges and expenses being paid for out of capital instead of income, any income distribution will increase to an equivalent extent, which may increase the amount of income tax due for UK tax purposes. Investors should seek professional tax advice for further information based on their own tax status.

What does this change mean for your clients if they hold accumulation shares?

For accumulation shares, any income earned is rolled up into the capital value of the accumulation shares.

From 5 December 2014, all charges and expenses will be paid out of the income earned in the first instance. Charges and expenses will only be taken out of the capital value of accumulation shares if the income earned is less than the charges and expenses.

For UK tax payers, there is a deemed distribution of the income that is rolled up in to the value of the accumulation shares at the end of the relevant accounting period. Subject to your clients' individual tax circumstances, this deemed distribution is taxable and forms part of their annual income for UK tax purposes. With all charges and expenses being paid for out of income, this deemed income distribution will be reduced to an equivalent extent, which may reduce the amount of income tax due on the deemed distribution. Investors should seek professional tax advice for further information based on their own tax status.

Do your clients need to take any action?

Your clients are not required to take any action in relation to the changes detailed in this letter. They will become effective on 5 December 2014.

These changes will not change the ISIN, Sedol or any other codes associated with the share classes of the Fund.

For your information, we have included details of the ISIN for each share class in the table below.

Share class name	ISIN
A, Acc, Net, GBP	GB0031075665
B, Acc, Net, GBP	GB0033063636
I, Acc, Net, GBP	GB00B1XFJS91
J, Acc, Net, GBP	GB00BD5J0X50
R, Acc, Net, GBP	GB00B7JQW017
S, Acc, Net, GBP	GB00B1NGWR21
A, Inc, Net, GBP	GB0031078784
B, Inc, Net, GBP	GB0033063412
I, Inc, Net, GBP	GB00B61JXN13
J, Inc, Net, GBP	GB00BMSKRZ93

More information

If you have any questions about this letter, please contact our team on +44 (0)20 7597 1900, between 8:30am and 5:30pm Monday to Friday, or by email to enquiries@investecmail.com.

For more information on our funds, please visit our website, www.investecassetmanagement.com.

Thank you for your continued support.

Yours faithfully,



David Aird
Managing Director

Telephone calls may be recorded for training and quality assurance purposes.