

**Investec Global Strategy Fund**

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THIS DOCUMENT IS IMPORTANT AND  
REQUIRES YOUR ATTENTION. IF IN DOUBT,  
PLEASE SEEK PROFESSIONAL ADVICE.

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Dear Investor,

**Update to the expected and maximum expected leverage levels**

We are writing to you as an investor in a sub-fund listed in the Annex to this letter (the “Sub-Funds”), which are sub-funds of the Investec Global Strategy Fund (“IGSF”), to let you know of an update we are making to Appendix 4 of the IGSF prospectus. This Appendix contains details of the expected leverage levels of the Sub-Funds and we are required to inform you about any updates to the Appendix from time to time.

Our reasons for the update are detailed below. We encourage you to read this letter as it contains information about your investment. Whilst we are informing you about this update, the investment policy, investment process and risk and return profile of each Sub-Fund remain unchanged and you are not required to take any action.

**What do the terms expected and maximum expected leverage levels mean?**

The investment policy of each of the Sub-Funds permits the investment manager as a part of the management of the Sub-Funds to use derivatives (financial contracts whose value is linked to the price of an underlying asset). Derivatives may be used by all the Sub-Funds for hedging and efficient portfolio management purposes (the aim of either managing a Sub-Fund’s risks or reducing the costs of managing the Sub-Fund) and may also be used by the Sub-Funds for investment purposes (to achieve a Sub-Fund’s investment objective).

The effect of derivatives used for these purposes on the Sub-Funds is measured and monitored on an ongoing basis through a comprehensive risk management process, applying the “Value at Risk approach” (the measurement of risk within a Sub-Fund’s portfolio over a specific time, either in absolute terms or compared against a similar reference portfolio without derivatives).

One effect on a Sub-Fund that uses derivatives is the generation of leverage (the multiplying effect of gains and losses) within the Sub-Fund’s portfolio. Where we use the Value at Risk approach, we are required to disclose to shareholders the expected leverage within the Sub-Fund’s portfolio calculated in accordance with the sum of the notionals of the derivatives used (the total value of all derivatives in a Sub-Fund’s portfolio). We also disclose the expected leverage calculated using the commitment approach (the net effect of derivatives on a Sub-Fund).

As the leverage in a Sub-Fund may vary over time, the IGSF prospectus discloses an expected range of leverage and the maximum expected leverage that might be reached in a Sub-Fund using both approaches. However, these expected leverage levels are a representative guide and should not be regarded as limits which may not be exceeded.



### **Why are we updating the expected and maximum expected leverage levels?**

Following a recent review, we are updating the expected leverage calculated using the sum of the notionals approach as set out in Appendix 4 of IGSF's prospectus. We have set out the updates to the expected leverage in the Annex to this letter. For ease of reference we have put the existing expected leverage disclosed in the IGSF prospectus side by side with the new expected leverage and underlined the updates in bold text.

Shareholders should note that where the expected range of leverage and/or the maximum expected leverage for a Sub-Fund using the sum of the notionals approach has increased (indicating an increased usage of derivatives within the Sub-Fund), this does not necessarily mean the Sub-Fund is taking on additional risk or using more leverage.

As the sum of the notionals approach (the total value of all derivatives in a Sub-Fund's portfolio) does not permit netting (the offsetting of amounts due or owed to the Sub-Fund), the expected leverage using this approach may be inflated, particularly where derivatives are used for hedging and efficient portfolio management purposes.

A significant amount of the derivatives used by the Investment Manager are for hedging currency exposures within the Sub-Funds (i.e. to mitigate the currency risk between the currency of an investment held and the Sub-Fund's Reference Currency). Currency hedging is a risk reducing exercise whereby, through the use of foreign currency forward contracts, the Investment Manager can significantly reduce the currency exposure in a Sub-Fund. In periods of increased currency hedging activity, the Investment Manager will make use of a large number of foreign currency forward contracts. This will have the effect of increasing the level of leverage in a Sub-Fund with higher numbers seen under the sum of the notionals calculation. Temporary increases in leverage under the sum of the notionals approach can also occur where a Sub-Fund is experiencing large or frequent subscriptions and redemptions in its shares, which could require additional currency hedging.

The expected range of leverage and the maximum expected leverage using the commitment approach (calculating the net effect of derivatives on a Sub-Fund) and the risk and reward profile of each Sub-Fund remains the same, notwithstanding the updates to the expected levels using the sum of the notionals calculation. As such the update to the expected leverage using the sum of the notionals calculation will not materially change the risk and return profiles of the Sub-Funds.

### **When will the Prospectus be updated?**

The Prospectus of IGSF, the Supplement for Hong Kong Investors to the Prospectus and the relevant Product Key Facts Statements will be updated accordingly in due course.

Revised copies of the Prospectus, the Supplement for Hong Kong Investors to the Prospectus and the relevant Product Key Facts Statements will be available on our website, [www.investecassetmanagement.com.hk](http://www.investecassetmanagement.com.hk)<sup>1</sup> and on request, free of charge.

### **Fees and costs**

The update outlined in this letter will not result in any change in the current level of annual management fees charged to the Fund and/or shareholders as disclosed in the IGSF's Prospectus. Other costs associated with the current changes to the IGSF range of funds together with the subsequent revision of IGSF's Prospectus, such as legal and mailing costs, will be paid by IGSF. The Management Company and the Board of Directors of IGSF will allocate these costs across the range of IGSF funds on a fair and equitable basis. The contribution of each of the Sub-Funds, except those have not been authorised by the Securities and Future Commission, is estimated to be approximately within the range between US\$350 and US\$17,000, which is equivalent to 0.0006% of their relative net asset values (as at 25 October 2016).



### **ISIN codes**

The ISIN code for each share class will remain unchanged.

### **More information**

If you would like further information regarding the update or wish to discuss your options, please contact your usual financial and/or tax advisor. Alternatively, our teams are available to help you. For further information on our fund range, please visit our website, [www.investecassetmanagement.com.hk](http://www.investecassetmanagement.com.hk)<sup>1</sup>.

Thank you for your continued support.

Yours faithfully,

Grant Cameron  
Director

John Green  
Director

The Management Company and the Directors of IGSF are responsible for the accuracy of the contents of this letter. To the best of the knowledge and belief of the Management Company and the Directors of IGSF (who have taken all reasonable care to ensure that such is the case) the information contained in this letter is in accordance with the facts and does not omit anything likely to affect the import of such information. The Management Company and the Directors of IGSF accept responsibility accordingly.

All defined terms in this letter shall have the same meaning as those defined terms as set out in the Prospectus of IGSF, unless the context requires otherwise.

<sup>1</sup> The website has not been reviewed by the SFC.



## Annex - Updates to the expected leverage using the Sum of Notionals approach

Sub-Fund	Current			New		
	Expected range of leverage level		Maximum expected leverage level	Expected range of leverage level		Maximum expected leverage level
Active Commodities Fund <sup>2</sup>	0%	200%	200%	0%	<b><u>100%</u></b>	200%
Asia Local Currency Bond Fund <sup>2</sup>	0%	200%	300%	0%	<b><u>300%</u></b>	<b><u>400%</u></b>
Emerging Markets Blended Debt Fund	0%	200%	200%	0%	200%	<b><u>300%</u></b>
Emerging Markets Corporate Debt Fund	0%	100%	100%	0%	100%	<b><u>200%</u></b>
Emerging Markets Hard Currency Debt Fund	0%	100%	100%	0%	100%	<b><u>200%</u></b>
Emerging Markets Investment Grade Corporate Debt Fund <sup>2</sup>	0%	100%	100%	0%	100%	<b><u>200%</u></b>
Emerging Markets Local Currency Debt Fund	0%	200%	300%	0%	<b><u>300%</u></b>	<b><u>400%</u></b>
Emerging Markets Local Currency Dynamic Debt Fund	0%	200%	300%	0%	<b><u>300%</u></b>	<b><u>400%</u></b>
Emerging Markets Local Currency Total Return Debt Fund <sup>2</sup>	0%	200%	300%	0%	<b><u>300%</u></b>	<b><u>400%</u></b>
Emerging Markets Multi-Asset Fund	0%	100%	200%	0%	<b><u>200%</u></b>	<b><u>300%</u></b>
Emerging Markets Short Duration Fund <sup>2</sup>	0%	200%	300%	0%	<b><u>400%</u></b>	<b><u>500%</u></b>
Enhanced Natural Resources Fund <sup>2</sup>	0%	200%	200%	0%	<b><u>100%</u></b>	<u>200%</u>
Global Diversified Growth Fund	0%	400%	400%	0%	<b><u>400%</u></b>	<b><u>500%</u></b>
Global Diversified Growth Fund (Euro) <sup>2</sup>	0%	400%	400%	0%	<b><u>400%</u></b>	<b><u>500%</u></b>
Global High Yield Bond Fund <sup>2</sup>	0%	200%	200%	0%	<b><u>100%</u></b>	<u>200%</u>
Global Multi-Asset Income Fund	0%	400%	400%	0%	<b><u>300%</u></b>	400%
Investment Grade Corporate Bond Fund	0%	200%	200%	0%	200%	<b><u>300%</u></b>
Onshore Renminbi Bond Fund <sup>2</sup>	0%	100%	200%	0%	100%	200%
Renminbi Bond Fund <sup>2</sup>	0%	100%	200%	0%	<b><u>200%</u></b>	<b><u>300%</u></b>
Target Return Bond Fund	0%	400%	400%	0%	<b><u>600%</u></b>	<b><u>800%</u></b>

<sup>2</sup> The sub-funds have not been authorised by the Securities and Future Commission (SFC) and therefore are not available to the public of Hong Kong.