



Out of the Ordinary

 **Investec**

Specialist Bank

Investec Euro Stoxx 50[®] Digital ESP

Investor roadshow presentation

9 July 2018

Equity Structured Product

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Introduction to the Equity Structured Product	Investec Structured Products is pleased to have the opportunity to present its latest Euro Stoxx 50 [®] Digital Equity Structured Product (“ESP”) which will be listed on the Johannesburg Stock Exchange (“JSE”) under Investec Bank Limited’s (“IBL”) Warrant and Note program. The issuer is Investec Bank Limited and the ESP is subject to the listing requirements of the JSE; and the full terms and conditions of the ESP will be set out in the Application Form and Term Sheet read together with the Pricing Supplement which will be made available on or before the listing date.
Purpose	The purpose of this presentation is to provide a high level overview of the current investment opportunity.
Benefit to Investors	<ul style="list-style-type: none">• Capturing the benefit from current market pricing variables for a potentially high yielding investment• Capital protection at maturity• Access to an investment opportunity that may otherwise not be readily available to investors• Clear Regulation 28 and BN90 treatment• Ease of administration and daily pricing
Pricing	Pricing in this brochure is indicative actual pricing will be confirmed on the trade date
Liquidity	Investec makes an active daily market in the ESP on the JSE, enabling investors to exit early if they have unexpected cash flow requirements or if their investment view changes. Investors should be aware that the capital protection is only available if the investment is held to maturity. IBL makes a market in the investment on the JSE with a bid to offer spread of 1.0%. It is expected that the initial cost of hedging will be 0.5%. For example; if the ESP is bought for 100% and assuming all else remains constant, its NAV or mid price will be 99.50% after hedging costs and it can be sold back to Investec at a price of 99.00%.
Procedure to Invest	The ESP is a listed instrument on the JSE. Investors will need to hold a stockbroking or safe custody account to purchase the instruments. Prospective investors should refer to the Application form and Term Sheet for detailed information on the product and the full terms and conditions of the ESP will be set out in the pricing supplement and will be made available on or before the listing date.
Investor Declaration	The ESP is intended for Experienced Investors; the Investor warrants that they are fully aware of the risks concerned and as such has demonstrable knowledge and experience in financial instruments and/or business matters that enables the investor to assess the risks and merits of an investment into this instrument. The investor further acknowledges that this investment has been made of his/her own volition and that he/she has received no advice, guidance or further product information other than what is contained in this document by Investec or any other authorised financial planner
Regulation 28 and Board Notice 90 Opinions	Investec’s internal non-binding view is that the appropriate treatment for ESP is “Credit” for Regulation 28 and “Non-Equity Security” for Board Notice 90.

ESP Payoff



- A three year and one week investment linked to an increase in the level of the Euro Stoxx 50[®] Index
- Fixed **59% return in Rands** should the index return be zero or positive, circa **16.6% effective annual rate of return**
- The performance of the investment is provided by Investec Bank Limited*
- **100% capital protected** in Rands at maturity

Term	Downside protection	Index	Maximum return at maturity
3 years and one week	100% capital protected	Euro Stoxx 50 [®]	59% / 16.6%pa

Example of the Investment Returns

Example of the SX5E Index maturity*	Invested amount	Profits	Investment value at maturity
Index returns 65%	R100mn	59% (capped)	R159mn
Index returns 0.01%	R100mn	59% (fixed return)	R159mn
Index returns -55%	R100mn	0%	R100mln

* Counterparty risks is Investec Bank Ltd – senior unsecured risk

Return Comparison

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A comparison of returns is shown below versus the 3yr Rand Interest Swap Rate (to simulate a cash-type return) and current RSA inflation.

	3 year IRR
Current CPI Rate	4.4% pa
Current 3 year swap rate	7.35% pa
Investec product annualised return	16.6% pa

Euro Stoxx 50[®] Index Dividend Forfeiture

Euro Stoxx 50[®] Index

Current 12m Dividend Yield	3.55%
Less Annual Management Fee	-0.20%*
Net Dividend	3.35%
Compounded for 3 years	10.39%

- Net dividend forfeiture is 10.39% in Euro
- The live index provides no capital protection, unlike the Investec product

*iShares EURO STOXX 50[®] Index ETF (Blackrock) annual ETF fee – <https://www.blackrock.com/hk/en/products/282361/>

Data source: Bloomberg

Product break-even due to currency & index returns

Investec have simulated a matrix showing various returns of a market linked investment of the Euro Stoxx 50® Index in Euro (inclusive of the net dividend, column 3) converted back into Rands at three currency scenarios (columns 4, 5 and 6) to what the ESP would have returned (column 7). The current EURZAR spot is 15.83. Green shading indicates scenarios of where the ESP outperforms the Index (inclusive of the dividend).

	1	2	3	4	5	6	7
	Index Return at maturity	Net dividend	Total Index return	Euro/Rand 26.25% depreciation i.e. R19.99 (3 year forward price)	Euro/Rand at current spot of 15.83	Euro/Rand 26.25% appreciation i.e. R11.67	Investec ESP Return
Scenario 1	-40.00%	10.39%	-29.61%	-11.13%	-29.61%	-48.09%	0%
Scenario 2	-20.00%	10.39%	-9.61%	14.12%	-9.61%	-33.34%	0%
Scenario 3	-0.01%	10.39%	10.38%	39.35%	10.38%	-18.59%	0%
Scenario 4	0.01%	10.39%	10.40%	39.38%	10.40%	-18.58%	59%
Scenario 5	15.55%	10.39%	25.94%	59.00%	25.94%	-7.12%	59%
Scenario 6	20.00%	10.39%	30.39%	64.62%	30.39%	-3.84%	59%
Scenario 7	40.00%	10.39%	50.39%	89.87%	50.39%	10.91%	59%

- **Scenario 1** shows that if the index returns -40% and the Rand strengthens 26.25% against the Euro, the Rand return is -48.09% versus ESP's return of the initial capital invested.
- **Scenario 5** shows that if the index returns 15.55% and the Rand weakens 26.25% against the Euro, the index (inclusive of the dividend) breaks even with the product to produce a 59% Rand return.
- The product produces a 59% Rand return for a 0.01% index return at maturity. Similarly, if the index was to have an index return 0.01% in Euro (i.e. total return of 10.40%), the Rand would need to depreciate by circa. 44.02% to break even with the ESP to produce the same 59% return in Rands.

Tax

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The information provided in this brochure is general information and should not be construed as tax advice. Taxation legislation and its interpretation may change. For as long as an investor is the holder of the ESP, they will be the owner of a basket of units in an exchange-traded fund (“ETF”) being the Sygnia ITRIX EuroStoxx50 ETFs. Section 9C of the Act deems receipts and accruals arising from the disposal of an exchange-traded fund to be of a capital nature if the taxpayer was the owner of the exchange-traded fund for a continuous period of at least 3 years immediately prior to the sale.

The tax consequences for investors who elect to sell their ETFs before a period of 3 years has elapsed will be dependent upon individual circumstances and any profit realised from the sale may be subject to Income Tax/CGT. It is recommended that prospective investors seek independent professional legal, tax and accounting advice and consider the investment in the light of the Investor’s particular circumstances. No responsibility is accepted by IBL for the treatment of any court of law, tax, banking or other authority in any jurisdiction of the investment and no undertaking, warranty or representation is given with regard to the outcome of any such investment.

All opinions, statements and analysis expressed are based on information, which was current at the time of writing and from sources, which Investec Structured Products (“ISP”) believes to be authentic and reliable.

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Disclaimer

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This document is not a prospectus, nor does it constitute an offer to the public in respect of the Investec Equity Structured Products. Completion and signature of the Application Form contained herein constitutes an offer to invest in the ESP, implementation of which is subject to acceptance of the signed Application Form by Investec. Investors should seek their own independent professional advice regarding the suitability of this ESP for their own particular investment purposes.

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