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Wealth Accelerator ESP

Application form and term sheet





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 **Investec**
Specialist Bank

Table of contents

What is the Investec Wealth Accelerator Equity Structured Product?	2
Potential for enhanced returns	3
Principle protection at maturity	3
International market exposure without the currency risk	3
Liquidity is provided	3
The ESP offers	3
Examples of potential returns	4
What happens at maturity?	4
What happens if a credit event occurs?	4
What are the risks to consider before investing?	5
Tax implications	5
Application form and term sheet	6
Important notes	6
Term sheet	7
Application form	10
Cash only deposits	11
Transfer of db x-trackers	11
Contact us	13
FAIS	14
Recent accolades	15
Disclaimer	15



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What is the Investec Wealth Accelerator Equity Structured Product?

The Investec Wealth Accelerator Equity Structured Product (“ESP”) is a financial instrument listed on the Johannesburg Stock Exchange Limited (“JSE”). The instrument represents the investor’s right to a basket of units (“Basket”) in an exchange traded fund (“ETF”) listed on the JSE which tracks the Euro Stoxx 50® Index (“Index”), and to an Over-The-Counter (“OTC”) option over the Basket which provides the enhanced return.

The issuer of the ESP is Investec Bank Limited (“IBL”) and is subject to the listing requirements of the JSE. The listing of the ESP provides investors with the ability to hold the ESP in their stockbroking account and daily liquidity is provided on the JSE trading system.

IBL makes an active daily market in the investment on the JSE with a bid to mid-spread of 1%, enabling investors to exit early to the extent they have unexpected cash flow requirements or if their investment view changes. Investors should be aware that the principal protection is only available if the ESP is held to maturity. The investor foregoes any right to receive dividends in relation to the Basket during the term of the ESP and is compensated for this via the option strike price.

Investec Bank Limited (“IBL”) is the product supplier, liquidity provider, issuer and market maker.

The ESP is designed to provide 100% principal protection in rands should the Index end negative at the end of the 4 year investment term and no credit event has occurred in respect of the Credit Reference Entity BnP Paribas (“BnP”).

Potential for enhanced returns

The Index only needs to exceed the initial Index level by 1 point at maturity and the investor will receive a return of **63% in rand**. This is equivalent to an **effective rate of return of 13% per annum** in rand; net of all fees, costs and expenses.

With the expected South African inflation rate running at approximately 5.5% per annum (average Consumer Price Index (“CPI”) rate from September 2017 to August 2021), this represents a **7.5% real return per annum** in rand (13% less 5.5% inflation).

IBL will target a digital return of 63%, however due to the volatile nature of the underlying assets, we reserve the right to trade as long as the digital return is 57% or higher and not to proceed on Trade Date should the digital return be below 57% (IRR 11.9% - this represents a 6.4% real return per annum (11.9% less 5.5% inflation)).



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Principal protection at maturity

In times of adverse market performance, principal protection helps to shield an investor's capital from losses.

The ESP is designed to **provide 100% principal protection** in rand should the Index end negative at the end of the 4 year investment term and no credit event has occurred in respect of BnP.

International market exposure without the currency risk

The return will be paid to the investor in rand thereby eliminating currency risk i.e. the investment will not be affected by exchange rate fluctuations.

Liquidity is provided

Investec makes an active daily market in the investment on the JSE with a bid to mid-spread of 1%, enabling investors to exit early to the extent they have unexpected cash flow requirements or if their investment view changes. Investors should be aware that the principal protection is only available if the ESP is held to maturity

The ESP offers

	A 4 year equity investment where a 63% return in rand (effective rate of 13% per annum) is paid in rand to the investor if the Euro Stoxx 50® Index ("Index") is one point higher at maturity than where it started on Trade Date. The return will be paid to the investor in rand - therefore no currency risk
	100% principal protection in rand on the full investment amount if held to maturity and no credit event has occurred in respect of BnP
	Minimum investment from R50 000 cash and increments of R10 000 thereafter
	Daily liquidity in normal market conditions



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Examples of potential returns

The table below shows examples of the potential return of the ESP, at maturity based on an initial investment of R1million converted.

Example of Index returns at maturity*	Capital invested	ESP returns	ESP investment value at maturity
Index returns 75%	R1 000 000	63% rand return	R1 630 000
Index returns 7%	R1 000 000	63% rand return	R1 630 000
Index returns -32%	R1 000 000	Principal protection	R1 000 000

* Theoretical returns for illustrative purposes

What happens at maturity?

At maturity, if the market value of the underlying Basket is greater than the maturity value of the ESP, a sufficient number of ETF units will be sold on behalf of the investor, in order to pay the premium, with the balance of the underlying Basket being delivered into the investor's stock broking account. However, if the market value of the underlying Basket is worth less than the maturity value of the ESP, the underlying Basket will be sold for an amount equal to the maturity value and the proceeds will be settled via the JSE.

What happens if a credit event occurs?

As the ESP is credit linked to BnP, should a Credit Event (bankruptcy, failure to pay, obligation default, government intervention, repudiation/moratorium or restructuring) occur in respect of BnP, the return would be reduced as set out in more detail in the term sheet below. This could result in a total loss of some or all of the ESP value which relates to the principal protection (as determined by the calculation agent), regardless of the performance of the Index.

If a credit event occurs with respect to BnP on or before the maturity date, IBL, as calculation agent, will obtain tradable quotes in the market, in respect of the obligations of BnP, and will determine a recovery price (expressed as a percentage) based on such quotations adjusted to take into account the portion of IBL's hedge position affected by the credit event.

The return due to the investor will then be equal to the market value of the ESP multiplied by such adjusted recovery price, which will be payable on the maturity date. This reduced return will earn interest at the overnight South African Futures Exchange ("SAFEX") rate, from the date upon which it is determined that the credit event occurs, until the scheduled maturity date.

IBL gives no representations or warranties as to whether or not a Credit Event could occur in relation to BnP, and the investor is advised to perform its own evaluation of the credit worthiness of BnP, and the suitability and appropriateness of this investment, based on the investor's own judgment and upon advice from such tax, accounting, regulatory, legal and financial advisers as the investor deems appropriate and/or necessary.



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What are the risks to consider before investing?

- While it is possible for an investor to exit the investment before the scheduled Maturity Date, the ESP is designed to be held for the full investment term.
- During the life of the ESP, the value could be lower than the stated protection level irrespective of the Index level at the time.
- The early sale may result in a loss as the nature of the ESP is such that the capital protection feature is only available at maturity.
- The return of the ESP will be based on the value of the Index. The value of the Index fluctuates and changes to these levels cannot be predicted.
- Past performance of the Index should not be seen as an indication of future performance.
- By investing in the ESP, holders may earn lower returns than if they had invested directly in the shares that constitute the Index.
- The investor takes credit risk on IBL as Issuer, as well as BnP, details of the credit risk are set out more fully below.

Tax implications

The information provided 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 an ESP, they will be the owner of ETFs. Section 9C of the Income Tax Act (“Act”) deems receipts and accruals arising from the disposal of ETFs to be of a capital nature if the taxpayer was the owner of the equity share 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 and/or capital gains tax.

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 believes to be authentic and reliable.



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Application form and term sheet

The ESP will be listed on the Johannesburg Stock Exchange Limited (“JSE”). Investors will need to have a stock broking account to purchase units in the ESP.

Important notes

The information set out in this application form and term sheet provides a summary of the ESP only and should be read in conjunction with the brochure. Terms used, but not otherwise defined herein shall have meanings given to them in the relevant pricing supplement. The full terms and conditions of the ESP will be set out in the pricing supplement read with the application form and term sheet. The pricing supplement will be made available on the listing date on the IBL website at www.investec.co.za/invest.

Prospective investors must ensure that they are fully aware of the risks involved when investing in financial products. It is recommended that investors seek professional advice and read the applicable pricing supplement and warrant and note programme prior to making any investment decision. Details of this programme are available on the IBL website at www.investec.co.za/invest or from your stockbroker.

Completion, signature and submission of this application form and term sheet by the investor constitutes a mandate for IBL to implement the investment in the ESP per the terms and conditions set out herein.

The implementation of the ESP investment remains subject to the acceptance by IBL of the signed application form and payment of the relevant minimum investment amount by the investor.

IBL will target a digital return of 63%, however due to the volatile nature of the underlying assets, we reserve the right to trade as long as the digital return is 57% or higher and not to proceed on Trade Date should the digital return be below 57% (IRR 11.9% - this represents a 6.4% real return per annum (11.9% less 5.5% inflation)).

In addition, IBL reserves the right not to implement the ESP if any change in circumstances occurs which would adversely affect its ability to implement the investment. In such an event, IBL will notify the investor and return the investment amount to the investors nominated stock broking/bank account.



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Term sheet

The terms outlined below represent the payoff profile of an investment in the ESP:

Terms

Product Name	Investec Wealth Accelerator ESP
Issuer	Investec Bank Limited ("IBL")
Credit Reference Entity	BnP Paribas
JSE Code	SPIB19
Index	Euro Stoxx 50 [®] Index (Bloomberg ticker "SX5E")
Investment Currency	South African rand ("ZAR")
Settlement Exposure Currency	ZAR
Minimum Investment	R50 000 per ESP and multiples of R10 000 thereafter.
Investment Term	4 years
Close Date	7 September 2017
Trade Date	13 September 2017
Listing Date on the JSE	26 September 2017
Allocation of the units to investors stockbroking account	29 September 2017 via the Central Securities Depository Participant (CSDP)
Settlement Date	Maturity date plus 6 business days
Maturity Date	13 September 2021



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Terms

The value delivered on maturity will be calculated as follows:

If the Final Index Level is greater than the Initial Index Level and provided that no Credit Event has taken place:

$Maturity\ Value = Initial\ Investment \times (1 + Return)$

OR

If the Final Index Level is less than the Initial Index Level and no Credit Event has occurred:

$Maturity\ Value = Initial\ Investment$

Return

IBL will target a digital return of 63%, however due to the volatile nature of the underlying Index, we reserve the right not to proceed on Trade Date should the digital return be below 57% (IRR 11.9% - this represents a 6.4% real return per annum (11.9% less 5.5% inflation))

Initial Index Level

The closing level of the Index on Trade Date as published by Bloomberg

Final Index level

The arithmetic of the last 3 closing business days up to and including Maturity Date

Early Redemptions

Early Redemptions are made by selling the ESP on the JSE and will be subject to the rules of the JSE settlement system. IBL will be a market maker for the ESP at the prevailing mark to market rate of the instrument, less a Bid to Mid 1% spread. The price of the ESP is subject to various factors including volatility, prevailing interest rates, exchange rates and market levels and investors should be aware that the Principal Protection, if any, is only applicable at maturity. Please note that the JSE price may not reflect the price at which IBL is prepared to trade

Capital Protection

100% of the initial investment amount

Fees

Investment managers and financial advisors will receive an annual distribution fee of 0.75% per annum (inclusive of VAT) of the investment amount for the 4 years. These fees are priced into the ESP, with 100% allocation of funds into the investment



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Terms

Consequences of occurrence of a Credit Event	<p>If a Credit Event occurs in respect of the Credit Reference Entity, on or before the Maturity Date, the ESP will terminate on the Maturity Date and the investor will receive the following:</p> <p>Maturity Value: The market value of the ESP on the business day immediately prior to the date of the Credit Event multiplied by the CE Factor (“Reduced Return Amount”) plus CE Interest</p>
CE Factor	<p>The recovery price (expressed as a percentage) of unsubordinated bond or loan obligations of the Credit Reference Entity based on tradable quotations obtained in the market, and adjusted to take into account the portion of IBL’s hedge position affected by the Credit Event, determined by IBL, as calculation agent</p>
CE Interest	<p>If a Credit Event occurs prior to the Maturity Date, the investor will receive interest (at the overnight SAFEX rate) in respect of the Reduced Return Amount, from the date upon which the occurrence of the Credit Event is duly confirmed, to the Settlement Date</p>
Credit Events	<p>Bankruptcy, Failure to Pay, Obligation Default, Repudiation/Moratorium, Government Intervention or Restructuring</p>
Charges	<p>All listing and administration fees have been priced into the ESP and there are no additional charges when investing</p>



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Application form

A fully completed and signed application form (pages 10 & 11) must be submitted via a financial advisor/stockbroker/wealth manager.

The investment cut-off date is **7 September 2017 at 17h00**.

Please forward all application forms electronically to:

Diane Leite	+27 21 416 3340	Diane.Leite@investec.co.za
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I, the undersigned investor hereby confirm that I have read and understood the application form and term sheet and agree to be bound by the terms and conditions thereof and warrant that the particulars supplied below are true and correct.

- I hereby agree and acknowledge that Investec Corporate & Institutional Banking, a division of Investec Bank Limited ("ICIB"), is a product supplier as defined by the Financial Advisory and Intermediary Services Act ("FAIS") and as such,
- ICIB will not render any investment advice in respect of the ESP. The selection of investments will be made entirely at my discretion;
- ICIB shall bear no responsibility for, nor guarantee the performance of the investment, and ICIB will not be liable for any losses I may incur as a result of acting on inadequate, insufficient or inappropriate advice.

Investor details

First name/s	
Surname	

Cash only amount to be invested

R50 000 minimum (increments of R10 000 thereafter)	
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Transfer of db x-trackers (Euro Stoxx 50 Index ETFs only)

R200 000 minimum investment amount (increments of R10 000 thereafter)	
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Investor stockbroking account details (for the allocation of ESP units)

Name of stockbroking institution	
Investor stockbroking account number	

Stockbroker details (in case of a query with the stockbroking account)

Company name	
Full name	
Email address	
Telephone number	

Distributor (financial advisor/wealth manager/stockbroker) details

Company name	
Full name	
Email address	
Telephone number	

Investor signature	Distributor signature
Date:	Date:



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Cash only deposits (via electronic funds transfer EFT)

Bank	Investec Bank
Branch	Sandton
Branch code	580105
Account number	30004481390
Account name	ESP Trust Account
Reference	Investor FULL NAME

Transfer of db x-trackers Euro Stoxx 50[®] Index (ETFs only)

On or before the closing date, please ask your stockbroker/wealth manager to transfer your db x-trackers Euro Stoxx 50[®] Index ETFs ("DBXEU SJ") into the Equity Structured Product Trust pledged account held with Investec Securities Proprietary Limited - detailed below, free of value.

Please send a copy of the following form to your stockbroker:

Stockbroker (company full name)	
Stockbroking account number	
No. of db x-trackers Euro Stoxx 50 [®] Index ETFs	



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The db x-tracker fund units with a minimum value of R200 000 and increments of R10 000 to be transferred free of value to the following account:

Pledge account details with Investec Securities

Account name	Ferbros Nominees (Pty) Ltd
BDA account name	Equity Structured Product Trust
BDA account number	1822949
Contact names	Patricia Kelly or Lydia Kutumela
Telephone number	+27 11 291 6242
Contact email address	isl_stratesettlements@investec.co.za

CSDP details

Holding bank account number	ZA0000035961
Bank CSD account number	20004743
CSDP/bank verification date	20070710
Contact name	Zagi Van Wyk
Telephone number	+27 087 577 8768
Contact email address	zvanwyk@fnb.co.za
SWIFT	FIRNZAJJ896



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Contact us

Please contact one of our product specialists for further information

Brian McMillan	+27 11 291 3180	brian.mcmillan@investec.co.za
Kate Langlois	+27 11 291 9450	kate.langlois@investec.co.za
Japie Lubbe	+27 21 416 3307	japie.lubbe@investec.co.za
Carlo Accolla	+27 21 416 3318	carlo.accolla@investec.co.za
Lynn Bell	+27 21 416 3328	lynn.bell@investec.co.za

As required by the **Financial Advisory and Intermediary Services Act ('FAIS')**, please find below the details of the product supplier:

Product supplier	Investec Corporate and Institutional Banking, a division of Investec Bank Limited
Physical address	100 Grayston Drive, Sandton, Sandown, 2196, Gauteng, South Africa
Postal address	P O Box 785700, Sandton, 2146, Gauteng, South Africa
Contractual relationship	None
Compliance officer	Pieter Erasmus
Address	100 Grayston Drive, Sandton, Sandown, 2196, Gauteng, South Africa
Contact number	+27 11 286 7323



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Recent accolades



- › Best Distributor, Capital Protected Products in Africa 2016
- › Best Performance in South Africa 2016
- › Best Performance in Africa 2016
- › Best Distributor in South Africa 2016
- › Best Distributor in Africa 2016



- › Best Distributor, Africa 2016

Disclaimer

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 Investec Wealth Accelerator 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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Ref: SPIB19 – 14 August 2017