



VT Protean Capital ELDeR Fund

A structured product fund designed for Investec



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Investec Structured Products & Protean Capital

Investec Structured Products launched back in 2008 and within a few years achieved the largest market share of retail structured products in the UK. In the last 12 years the team have won 26 industry awards, raised over £6.5 billion with average annual returns of 7.41% for our clients and no instances of capital loss*. Investec continue to innovate in the sector and have recently launched the first digital offering to advisers in the structured product market with the Investec for Advisers platform which allows you to submit client applications online, track applications, view valuations and much more.

* Figures correct as at 24/06/2020.

Past performance is not a guide to future performance.

We are always looking for new ways to grow our product range for your clients and to provide new propositions that you can use to fulfil your clients' investment needs. With this in mind, the VT Protean Capital ELDeR Fund ("ELDeR Fund") has been designed for Investec by Protean that allows advisers and investors access to structured products in a unitised open ended format.

Protean Capital are the Investment Manager of the ELDeR Fund. They have extensive experience in financial markets spanning fund management, risk management, derivative research, trading, asset & liability management, structuring, product development, treasury and capital markets.



VT Protean Capital ELDeR Fund

The VT Protean Capital ELDeR Fund was developed by Investec Wealth & Investment (“IW&I”) and Protean Capital and launched into the UK market in August 2017 with the A Share Class for institutional investors. IW&I wanted a structured product fund that would be a suitable investment for low to medium risk investment profiles and one that they could recommend across all their model portfolios. With this in mind IW&I teamed up with Protean Capital to design a fund that has the positive characteristics of defensive structured products, for example the ability to provide returns when other assets such as equities remain neutral or fall in value.

The ELDeR Fund prioritises risk management in order to maintain a stable risk profile through a wide range of market conditions. The Investment Manager expects to achieve a return of 5-6% p.a. net of charges which is largely made up of income of around 4% with the remainder as capital growth over the longer term.

Since 2017 Protean and IW&I have raised £75m* and with the fund now having a three year track record Investec Structured Products want to introduce this fund to all advisers and their clients.

The Fund’s new I Share Class was designed for Investec Structured Products by Protean and was launched in March 2020 and is available to UK retail clients.

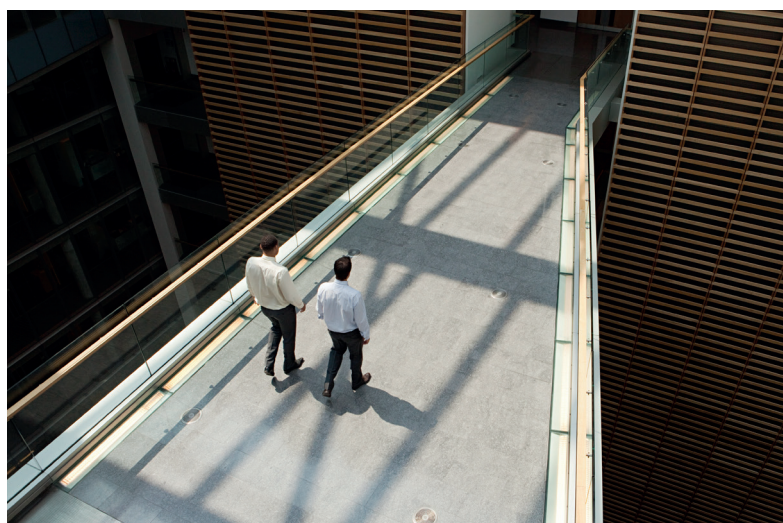
Annual charges for the I Share Class:

0.80% p.a. Annual Management Fee (AMC)

0.91% p.a. Ongoing Charges Figure (OCF)

ISIN Accumulation I Share Class - GB00BKRN0F63

ISIN Income I Share Class - GB00BKRN0G70



*As at 28 August 2020

Roles & Responsibilities

Protean

- Investment Manager
- Actively manage and make the investment decisions for the fund to achieve goals of low risk and consistent returns
- Define the Target Market of the Fund
- Specialists in managing multi asset strategies for a range of funds and client portfolios

Investec

- Distribute and market the Fund into the UK market
- Educate on the benefits of the Fund with clients as an alternative method of getting exposure to structured products
- Main point of contact for any adviser queries
- Do not have an active role in management of the Fund



The search for income

The UK has been in a low interest rate environment for over a decade and this looks set to continue for the foreseeable future. This has thrown up a dilemma for investors who want to receive regular income as it leaves them stuck with the difficult choice of either:

1. having to accept a much lower level of income if rates continue at this level; or
2. taking on more risk to earn a higher income

UK investors used to be able to rely on high dividend yields from some FTSE 100 stocks as a source of income. Recently dividend yields have been put under downward pressure with a poor earnings season and this has had a knock-on effect to the UK equity income sector. This leaves income seeking investors facing uncertain times ahead.

The ELDeR Fund focuses on generating stable income that comes from a variety of sources, which are not directly driven by dividends. For example this can come from bonds, fixed income generated through selling derivatives and income which is dependent on market performance. The diversity of income streams allows the fund to continue to generate consistent returns even when markets are unstable.



What are the benefits?

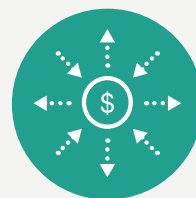
The ELDeR Fund was developed with three key features in mind:



Generate stable income



Maintain a stable risk profile in a range of market conditions



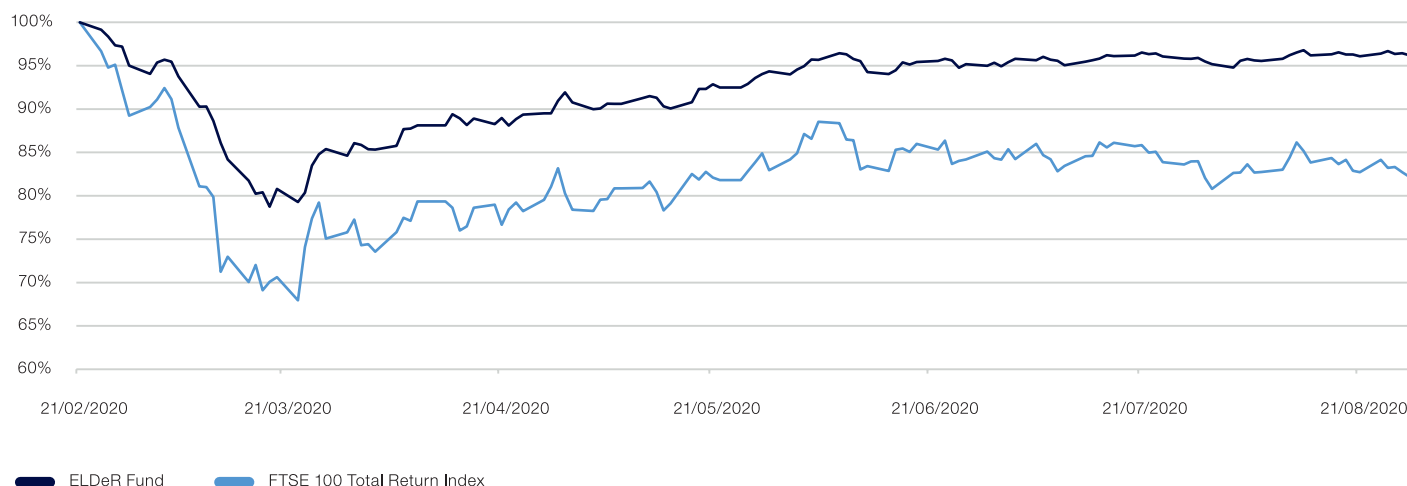
Provide diversification benefits when held as part of a portfolio

Since inception in 2017 the Fund has returned income of around 4% per annum and has achieved this with half of the volatility of the FTSE 100 Total Return Index.

One of the benefits of the risk based approach is the expectation that the Fund will have lower drawdowns and outperform equity markets in a market downturn. This was evident in the recent Covid-19 crisis.

Additionally, holding this Fund as part of a portfolio has diversification benefits by having lower correlation to traditional asset classes such as bonds and equities and in particular when compared to other structured product funds.

Performance of the ELDeR Fund vs FTSE 100 Total Return Index over the Covid-19 crisis



Please note that this is the institutional A Share Class with a lower AMC of 0.5% p.a. deducted from the performance vs the I Share Class which has an AMC of 0.8% p.a.

Past performance is not a guide to future performance.

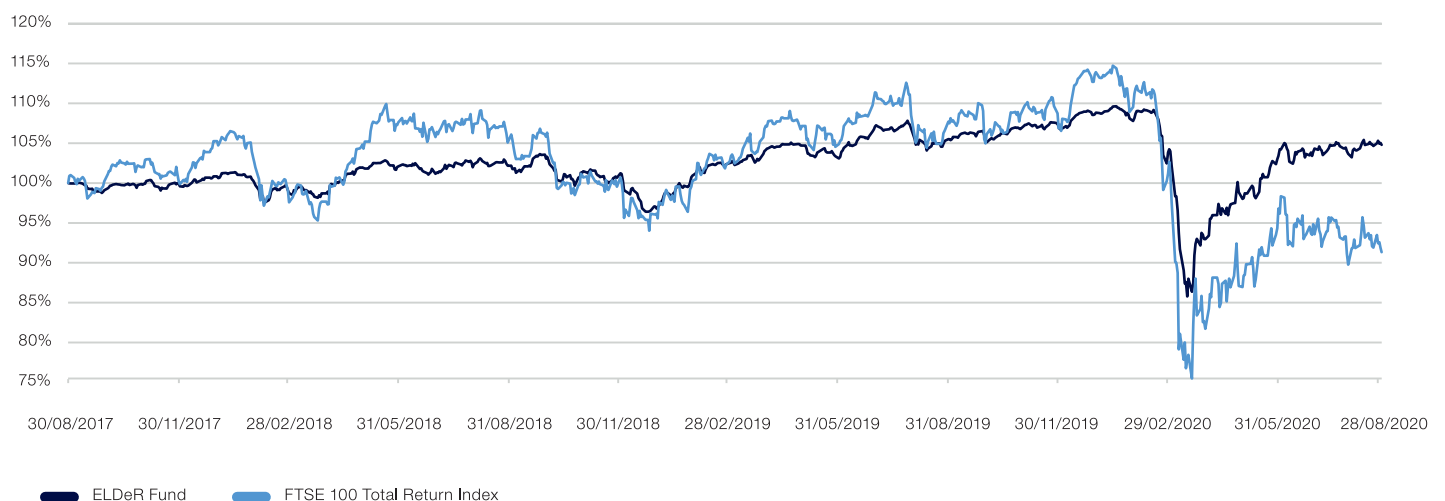
Source of all data: Bloomberg, correct as at 28 August 2020

Performance

The focus on risk management aims to achieve a more stable and consistent performance in a wide range of market conditions. This is shown in comparison to the FTSE 100 Total Return Index on the graph below. We can see on this graph that the performance of the ELDeR Fund is much smoother than that of UK equity markets over this period.

Performance of the ELDeR Fund vs FTSE 100 Total Return Index

Fig 1



Please note that this is the institutional A Share Class with a lower AMC of 0.5% p.a. deducted from the performance vs the I Share Class which has an AMC of 0.8% p.a.

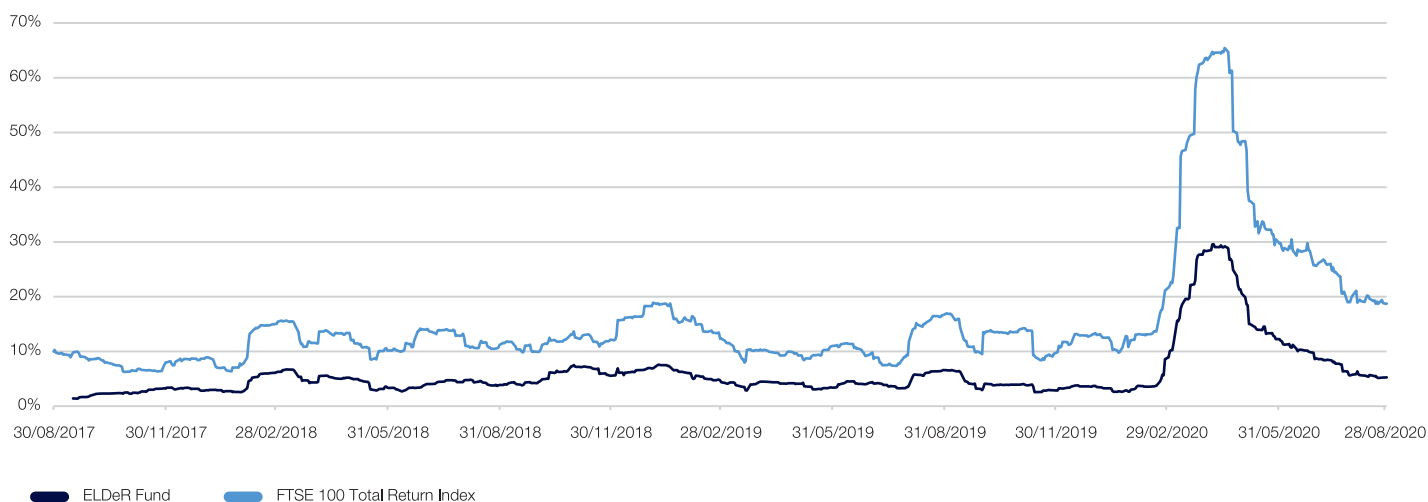
Past performance is not a guide to future performance.

Source: Bloomberg, correct as at 28 August 2020

The benefit of this risk based approach has shown that since inception the Fund has outperformed the FTSE 100 Total Return Index but with half of the risk. This stability is highlighted by the volatility, shown on on the graph below, which is a widely used metric to indicate the level of risk. This has been much lower than that seen in equity markets over the same period.

30 Day Historical Volatility

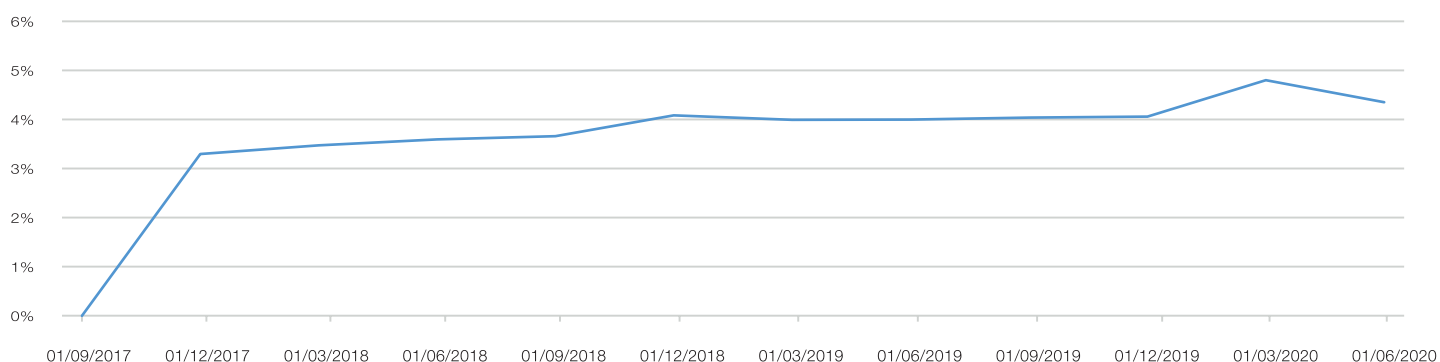
Fig 2



Source: Bloomberg, correct as at 28 August 2020

The graph below highlights that the income generated by the Fund has been stable since inception (30 August 2017).

12 Month Yield



Please note that this is the institutional A Share Class with a lower AMC of 0.5% p.a. deducted from the performance vs the I Share Class which has an AMC of 0.8% p.a.

Past performance is not a guide to future performance.

Risk considerations



This Fund places your capital at risk.

The Fund's returns and the level of income that you receive from the Fund are variable and are in no way guaranteed. In adverse market conditions you could be faced with losses.

A full list of the risks of investing in this fund are listed in the Prospectus.

This document should be read in conjunction with the Key Investor Information Document and the Prospectus.



What does the Fund hold?

The Fund aims to meet its investment objective by investing primarily in a mixture of transferable securities which may include debt instruments and structured notes issued by major global financial institutions, financial derivative instruments and government bonds.

The focus of the Fund is on investing in derivatives, bonds and structured products that can provide attractive returns, and can do so in either a defensive or uncorrelated manner. The Investment Manager then combines these various assets into an overall portfolio in order to provide enhanced risk adjusted returns.

Credit Exposure

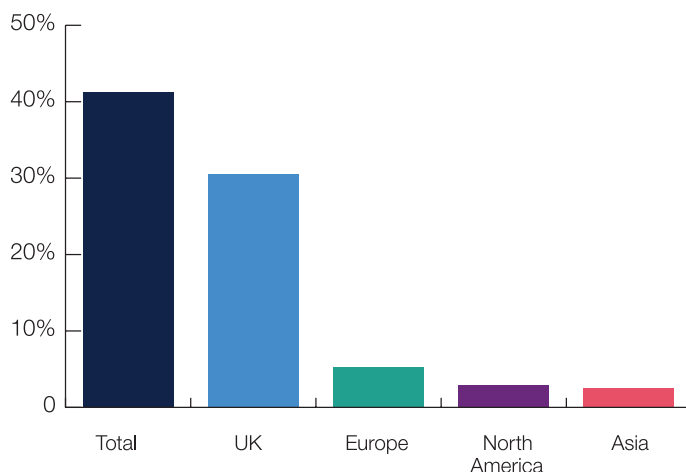
This is a UCITS fund, which requires the highest level of credit diversification. This is one of the key benefits of investing in a UCITS fund compared to having to hold a portfolio of traditional structured products to get the same credit diversification.

Moody's Rating	% of Fund
Aaa	26.01%
Aa1	0.00%
Aa2	29.57%
Aa3	10.37%
A1	22.69%
A2	0.72%
A3	10.64%

Equity Exposure

To get an idea of how sensitive the Fund is to equity the chart below shows the Fund's current exposure to equity and its geographical split.

The Fund has no emphasis on geography so this will change depending on where the Investment Manager sees value.



The top 10 holdings

Name	% of Fund
UBS Dual Index Income Note 12/23	4.65%
Citigroup Dual Index Income Note 09/24	4.38%
NatWest Bond 03/23	3.35%
Nordea Bond 06/23	3.31%
JP Morgan Dual Index Income Note 10/24	3.10%
Morgan Stanley Dual Index Income Note 07/25	3.10%
SocGen FTSE Growth Warrant 07/24	3.07%
CIBC Dual Index Income Note 02/24	2.77%
Barclays FTSE Income and Growth Note 04/25	2.76%
Svenska Handelsbanken Bond 06/22	2.71%

Source: Protean Capital LLP. Correct as at 28 August 2020

The Fund currently has 54 holdings excluding cash.

The Investment Manager confirms these holdings are representative of the Fund's total holdings. To get an idea of the Fund's exposure to equity and geographical equity exposure the chart on page 11 should be used as a guide.

Typically structured products are created by banks and are made up of a bond and options to generate the market linked return. The Investment Manager of the ELDeR Fund can invest in structured products that you are perhaps most familiar with, however, they largely do this process in house. i.e. they buy a bond and separately buy the individual options to generate the returns. This method has a twofold benefit, first these simple options have low transaction costs and secondly they are more liquid allowing for a more flexible and cost effective way to manage the Fund.

Why invest in a structured product fund?

There are several benefits of investing in structured products via a structured product fund; diversification, simplicity, liquidity and access.



Diversification: There are several benefits here; product structure, strike and credit risk. As the Fund is UCITS it is required to have the highest standard of credit diversification. The ELDeR Fund also spreads risk across different types of assets, industries, geographies and product types.

Simplicity: The ELDeR Fund can invest in a range of structured products and instruments. To achieve a similar result, an investor would need to invest in many individual structured products with differing payoff profiles over an extended period of time. The ELDeR fund achieves this result at a much lower cost than purchasing individual structured products.

Liquidity: Unlike traditional structured products where there is a fixed offer period the Fund allows investment or sale on a daily basis.

Access: The ability to obtain these benefits from a single asset with a lower minimum investment requirement makes it a simple and often more manageable proposition.

Target Market

This Fund has been designed to meet the investment objectives of investors with a low to medium attitude to risk, as characterised below.

The Fund currently has a SRRI (Synthetic Risk and Reward Indicator) score of 4 out of 7*. This score can be found on the KIID (Key Investor Information Document) document and is reviewed and recalculated using the UCITS standardised methodology annually.



This investment may be suitable for your client if they:

- Understand the features and risks highlighted in the fund documentation and are able to make an informed investment decision based on the information provided. The documentation available on the fund can be found on the website (<https://www.valu-trac.com/administration-services/clients/protean/elder/>).
- Understand that the value of the fund can go up and down.
- Are looking for a fund that provides income.
- Understand that the return may fluctuate each year.
- Are looking for credit risk diversification that the UCITS rules require.
- Are willing to sacrifice potential upside to have a less volatile investment.
- Require daily liquidity.
- Have a minimum £100 to invest.
- Your client wants to be able to add to their investment from time to time.



This investment may not be suitable for your client if they:

- Cannot make an informed investment decision based on the information provided.
- Cannot accept any loss to their initial investment.
- Do not want their returns to be based on stock market performance.
- Require a known income to meet financial needs.
- Want a high risk and reward investment.

*correct as at 28 August 2020

Other information

How to invest

The Fund is eligible for direct, ISA, pension and offshore bond investments.

Platforms work on a reverse enquiry basis and they should make the Fund available quickly and efficiently if it isn't already on the platform.

Contact us

If have any questions on the Fund please contact the Investec Structured Products team on **020 7197 2440**

What sector is this in?

- IA is Specialist
- Morningstar is Other - Bond



Investec Bank plc does not offer advice or make any investment recommendations regarding this Fund. Investors should refer to the full Fund literature and think carefully about the features and risks of this Fund and whether it suits their personal circumstances and attitude to risk before deciding whether to invest. Returns are in no way guaranteed and this Fund will place capital at risk. Investors may get back less than they invested. Past performance is not a reliable indicator of future performance.

Investec Structured Products is a trading name of Investec Bank plc. Investec Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. It is a member of the London Stock Exchange registered under Financial Services Register reference 172330. Investec Bank plc is a limited company registered in England and Wales at Companies House. Our registered office is 30 Gresham Street, London EC2V 7QP and our registered number is 00489604. Our VAT number is 480912639.

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