# WHAT ARE HEDGED SHARE CLASSES?

Hedged share classes of funds are available to investors via Old Mutual International products. They are often used to manage the currency risk the investment may be exposed to. Here we explain what hedged share classes are and why investors may choose to use them.

Fund management companies offer a number of currency hedged share classes in their funds in order to meet the specific needs of different investors.



#### WHAT ARE HEDGED SHARE CLASSES?

A hedged share class of a fund is designed for investors who want:

- exposure to a fund denominated in a certain currency (referred to as the 'base currency')
- protection from significant moves between the base currency and their chosen investment currency.

For example, a euro investor in a US equity fund's euro-hedged share class would have exposure to the investment performance of the fund whilst eliminating most of the additional risk of currency movements between the euro and US dollar.



### WHY DO INVESTORS USE HEDGED SHARE CLASSES?

Using a hedged share class can help to remove uncertainty for investors where the return is exposed to a combination of investment performance and movements in a fund's base currency.

Hedging can have positive or negative results, depending on the prevailing currency trends.

For example, for a euro investor in an unhedged euro share class, a stronger euro compared to the fund's base currency will reduce their returns, while a weaker euro will mean better performance. For a euro investor in a hedged share class, the opposite is true.

It is important to be aware that hedging merely reduces currency risk; no hedging strategy can entirely eliminate that risk.



#### **GREATER CHOICE**

Hedged share classes of funds give investors additional choice to match their investment needs. The appropriateness of a particular investment approach depends on an investor's individual circumstances.

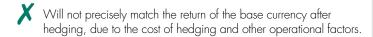
Before recommending any fund or investment, it is important that you assess and review the investment needs and risk profile of your client and discuss the investment choices available to them.

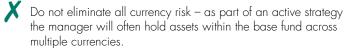
# **HEDGED SHARE CLASSES:**



Can protect investors from significant moves between the base and hedged currency.

Have no impact on the investment management of the fund in question; it is the net asset value, not the underlying assets, that is hedged.





X Can't profit from any favourable currency movements that may benefit non-hedged share classes.



Past performance is not a guide to future performance.

The value of investments can fall as well as rise and investors may not get back what they put in.

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