

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:

- ✓ Allow investors to transact in their preferred currency.
- ✓ 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.

- ✗ Will not precisely match the return of the base currency after hedging, due to the cost of hedging and other operational factors.
- ✗ Do not eliminate all currency risk – as part of an active strategy the manager will often hold assets within the base fund across multiple currencies.
- ✗ 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.

www.oldmutualinternational.com
www.oldmutualinternational.com/hk

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Old Mutual International Isle of Man Limited is registered in the Isle of Man under number 24916C.

Registered and Head Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles. Phone: +44 (0)1624 655 555 Fax: +44 (0)1624 611 715.

Licensed by the Isle of Man Financial Services Authority.

Old Mutual International is registered in the Isle of Man as a business name of Old Mutual International Isle of Man Limited.

Old Mutual International is the registered business name of Old Mutual International Isle of Man Limited Singapore Branch. Old Mutual International Isle of Man Limited Singapore Branch, CapitaGreen #06-02, 138 Market Street, Singapore 048946. Phone: +65 6216 7990 Fax: +65 6216 7999.

Registered in Singapore Number T08FC7158E. Authorised by the Monetary Authority of Singapore to conduct life assurance business in Singapore. Member of the Life Insurance Association of Singapore.

Member of the Singapore Finance Dispute Resolution Scheme.

Old Mutual International Middle East Limited, registered in the Dubai International Financial Centre under number 0962 Office 7 and 8, Level 2 Gate Village 7, Dubai International Financial Centre (DIFC), PO Box 482062, Dubai, UAE.

Old Mutual International Middle East Limited is authorised and regulated by the Dubai Financial Services Authority.

Old Mutual International's Hong Kong office: Unit 3704, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Phone: +852 3552 5888 Fax: +852 3552 5889 Email: askhk@ominternational.com
Authorised by the Insurance Authority of Hong Kong to carry on long term business.

Old Mutual International Ireland dac is regulated by the Central Bank of Ireland. Registered No 309649.

Administration Centre for correspondence: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU Tel: +353(0)1 479 3900 Fax: +353(0)1 475 1020.

Registered and Head Office Address: Hambleden House, 19-26 Lower Pembroke Street, Dublin 2, D02 WV96, Ireland. VAT number for Old Mutual International Ireland dac is 6329649S.

Old Mutual International is registered in Ireland as a business name of Old Mutual International Ireland dac.

PDF14275/INT19-1056/August 2019