

Date

Dear investor

Kames Capital ICVC – Notice of Changes to various sub-funds

We are writing to you as a shareholder of one or more sub-funds of the Kames Capital ICVC to advise you of changes we are making to your fund(s). These changes will be effective from 1 October 2016.

Investment Policy of the of Kames Ethical Corporate Bond Fund, Kames High Yield Bond Fund and Kames Sterling Corporate Bond Fund – We are amending the Investment Policies of the above funds (as set out in the Prospectus) to remove the additional power to invest more than 35% of the Net Asset Value of each fund in the various Government and Public Securities (“GAPS”) specified in the Prospectus. We are making this change to reflect more accurately the way in which those sub-funds are currently managed (as there is no current intention for the funds to utilise such an additional power with respect to GAPS). This change will have no impact on the existing composition of the relevant sub-funds.

Kames Diversified Growth Fund – We are amending the Prospectus to clarify that the Kames Diversified Growth Fund is able to invest in Total Return Swaps and Contracts for Difference. This clarification will enhance the disclosures within the Prospectus to ensure investors are fully aware of the derivative instruments in which the Fund may invest, in accordance with legislation and guidelines relating to derivatives usage.

Kames Diversified Growth Fund – We are amending the Annual Management Charge for the B share classes from 0.50% per annum to 0.55% per annum. This will be applied on a pro-rata basis for the remaining months of 2016. The amendment has been made to keep the Fund in line with market rates for this type of fund.

Kames Strategic Bond Fund Investment Policy – We are amending the Investment Policy of the Kames Strategic Bond Fund (as set out in the Prospectus) to impose a limit on the aggregate value of emerging market bonds and high yield bonds that the Fund may hold. Currently there is no limit in place but this will be amended to introduce a 40% aggregate maximum limit in respect of such bonds. Following the implementation of this change the Investment Policy will change from:

“To invest in global debt instruments denominated in any currency, ranging from AAA Government Bonds through to high yield and emerging market corporate bonds. At least 80% of the Fund will be invested in sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in derivative instruments and forward transactions.

The Fund may also hold cash, near cash and deposits.

The Fund may also invest in approved money market instruments.”

to

“To invest in global debt instruments denominated in any currency, ranging from AAA Government Bonds through to high yield and emerging market corporate bonds. The Fund may invest in aggregate a maximum of 40% of its Net Asset Value in high yield bonds and emerging market bonds. At least 80% of the Fund will be invested in sterling and other currency denominated bonds hedged back to sterling. The Fund may also invest in derivative instruments and forward transactions.

The Fund may also hold cash, near cash and deposits.

The Fund may also invest in approved money market instruments”.

This change will have no impact on the existing composition of the Kames Strategic Bond Fund, and reflects how the Fund is currently managed. The change has been made to reflect this current management approach, and to give investors comfort that the hard limit cannot be exceeded.

Kames UK Equity Absolute Return Fund Investment Objective – We are amending the Investment Objective of the Kames UK Equity Absolute Return Fund (as set out in the Prospectus) such that the period over which positive returns will be achieved will be changed from a 12 month period to a 36 month period. We are making this change to ensure consistency across our fund range as well as reflecting current market convention with respect to absolute return funds. Following the implementation of this change the Investment Objective will change from:

“The investment objective is to achieve a positive return over a 12 month period in all market conditions. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period.”

to

“The investment objective is to achieve a positive return over a 36 month period in all market conditions. By investing in the Fund, capital is at risk. There is no guarantee that the Fund will deliver positive returns over this, or any, time period.”

This change will have no impact on the existing composition of the Kames UK Equity Absolute Return Fund.

Kames UK Equity Absolute Return Fund Investment Policy – We are amending the Investment Policy of the Kames UK Equity Absolute Return Fund (as set out in the Prospectus) to clarify the manner in which the Investment Manager will seek to invest in UK companies. Following the implementation of this change the Investment Policy will change from:

“To invest principally in a portfolio of equities and equity-related securities (including Contracts for Difference and other derivatives) of companies based in the UK, principally conducting business in the UK or listed on the UK stock market.

The Fund may also invest in other transferable securities.

A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of such other collective investment schemes.

The Fund may also hold cash, near cash and deposits. A substantial proportion of the Scheme Property of the Fund may consist of cash, near cash and deposits.

The Fund may also invest in approved money market instruments.”

to

“The Fund will seek to achieve its investment objective by investing in companies based in the UK, principally conducting business in the UK or listed in the UK stock market (collectively referred to as “UK companies”). The Fund may also invest up to 10% of its Net Asset Value in companies which are not UK companies. The Fund will invest in these companies, or relevant equity indices, primarily using Derivatives, but it may also invest directly in relevant equities or indices.

As a consequence of the Fund’s extensive use of Derivatives and the related requirement for the Fund to hold sufficient levels of highly liquid collateral, a substantial proportion of the Scheme Property of the Fund may consist of cash, near cash and deposits.

The Fund may also invest in other transferable securities.

A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of such other collective investment schemes.

The Fund may also invest in approved money market instruments.”

This change will have no impact on the existing composition of the Kames UK Equity Absolute Return Fund.

Deposits

We are amending the Prospectus to confirm that each sub-fund may now invest up to 20% of its Net Asset Value in deposits with a single body in accordance with the standard limits applicable to UCITS funds (as opposed to only some Sub-funds) . This change will affect the **Kames American Equity Fund, Kames Diversified Growth Fund, Kames Ethical Cautious Managed Fund, Kames Ethical Corporate Bond Fund, Kames Ethical Equity Fund, Kames European Equity Fund, Kames Global Equity Fund, Kames UK Opportunities Fund and Kames UK Smaller Companies Fund.**

This change will have no impact on the existing composition of the relevant sub-funds.

Debit Card Payments – We are amending the Prospectus to remove the reference to payment by debit card for telephone dealing. Such a payment method is not consistent with Kames' current business model and requires additional operational functionality to be maintained by Kames. It is also a payment method which is rarely used by investors. This change will affect all Sub-funds of the Kames Capital ICVC.

No Action Required

There is no need for you to take any action in response to this letter.

If you require any further information, please contact our investor helpdesk on 0800 45 44 22. Please note however that we are not able to give investment advice and that you should consult your usual professional adviser if you have any queries about how these changes may impact you or your investment.

Yours sincerely



Andrew Bell
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Kames Capital plc