

Dear Sir or Madam

Kames Capital ICVC (the “Fund”)

Notice of Changes to various sub-funds

We are writing to you as a shareholder of one or more sub-funds of Kames Capital ICVC to advise you of changes that we are making to your sub-fund(s).

No action required - you don't need to do anything – you are being notified of the changes in this letter for information only.

Many of these changes are being carried out as a result of new rules and guidance from the FCA, following their Asset Management Market Study, which are intended to improve disclosures to investors. In particular, there are new rules which require us to explain whether our sub-funds use benchmarks and, where applicable, how these benchmarks may be used by shareholders to assess the performance of the relevant sub-fund. Full details of how we are implementing the new rules and guidance are set out below.

Additionally, having conducted a full audit of the sub-funds to implement the changes referred to above, we have decided to make some changes to the investment policies of some of the sub-funds as explained below.

1. Implementation of the FCA's Asset Management Market Study

Benchmarks for all sub-funds – we are proposing to include a description in Appendix D of the Prospectus (Sub-Fund Details) in relation to our use of benchmarks, indices or similar factors (“Benchmarks”) with respect to the relevant sub-fund. In line with the publication of recent FCA rules and guidance, we have categorised the benchmarks used by us in the management of each sub-fund as a target benchmark, constrained benchmark or comparator benchmark. This will provide you with more detailed information on how each sub-fund is managed and will indicate whether the portfolio is constructed with reference to a benchmark or whether we simply use benchmarks as one of a number of methods of assessing a fund's performance. In each case, we have explained why a benchmark has been selected and how it might be useful for you in assessing performance of a fund against its objective.

These changes do not represent a change to the way in which any of the Sub-Funds are managed, are not considered to be significant or material and will be effective from 7 August 2019.

Investment Objectives and Policies of all sub-funds – We are proposing to amend the wording of the sub-fund details contained in Appendix D (Sub-fund Details) of the prospectus to provide additional information about the way in which the sub-funds are managed. Please note that these updates are for clarification only and no changes are being made in respect of how your fund will be invested or managed on a day-to-day basis. We also propose to make corresponding changes to the Instrument of Incorporation.

These changes do not represent a change to the way in which any of the sub-funds are managed, are not considered to be significant or material and will be effective from 7 August 2019.

Share class conversions for all sub-funds - We are proposing to amend the prospectus and Instrument of Incorporation to permit us to carry out compulsory conversions where we believe it is in the best interests of investors to do so. This is also in line with recent regulatory guidance. Currently, we are not carrying out any such conversions and we will write to you again should we decide that any such conversion is in your best interests.

This amendment is deemed by us to be significant for the purposes of the FCA rules and guidance and, as a result, we are required to provide you with at least 60 days' prior notice. This change will therefore be effective as of 7 September 2019.

2. Additional sub-fund changes

In addition to the changes above, each of which are linked to the FCA's Asset Management Market Study, we are taking the opportunity to make certain additional changes, as follows:

- a) **Investment and Borrowing Powers of all Sub-funds** – We are proposing to amend the wording of the investment powers which apply to the sub-funds as set out in Appendix B (Investment & Borrowing Powers) of the prospectus to more closely track the FCA's rules. Although this change is not required by the FCA's Asset Management Market Study, it is, in our view, in keeping with the spirit of improving the quality and clarity of our descriptions.

These changes do not represent a change to the way in which any of the Sub-Funds are managed, are not considered to be significant or material and will be effective from 7 August 2019.

- b) **Investment Policy of Kames Diversified Monthly Income Fund** – We are further amending the investment policy of this sub-fund to remove the fund's 80% maximum limitation on investment on investment in equities and replacing it with an anticipated equity investment range. Removing this limit better reflects the way in which the fund is currently managed as typically we would not invest close to this limit and we believe removing it is clearer for investors.

The new investment policy wording (including this change as well as the non-material additions/clarifications outlined in Section 1 above) will be as follows:

Current Policy Wording	New Policy Wording
To invest mainly in a diversified portfolio of equities, bonds and derivatives denominated in any currency. Assets will be chosen based on global economic trends and investment opportunities. As a result, at any one time the Fund may be diversified across asset classes, sectors, currencies or countries or may be more focused. Equities will be limited to a maximum of 80% of the Fund's value at all times.	The Fund is a flexible multi-asset fund that invests across a range of asset classes on a global basis, taking into account factors such as global economic trends and growth opportunities. As a result, at any one time the Fund may be diversified across asset classes, sectors, currencies or geographies in various proportions.
The Fund may invest in assets denominated in a currency other than Sterling. The currency risk of investing in such assets may or may not be hedged back to Sterling, depending on whether currency risk is a desired element of the investment decision.	At least 80% of the Fund will usually consist of equities, corporate bonds and government and public securities. The typical level of investment in equities will be between 20-60% of the Fund's value.
The Fund may also hold units in other transferable securities, warrants derivatives and forwards (including commodity indices) for investment or hedging purposes. The Fund may have indirect exposure to property.	To the extent not fully invested in the main asset classes above, the Fund may invest in other transferable securities, collective investment schemes (up to 10% of Net Asset Value and including schemes managed by the ACD or its affiliates), derivatives, money market instruments, cash and near-cash.
A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in	Through these investments, the Fund may obtain indirect exposure to property, commodities and other specialist asset sectors, such as companies

units or shares of other collective investment schemes.	that specialise in aircraft leasing, infrastructure and renewable energy.
The Fund may also hold cash, near cash and deposits.	Derivatives may be used for investment purposes, for example exposure to assets may be gained through the use of derivatives (including long and short positions for the purposes of adjusting risk exposures). Derivatives may also be used for efficient portfolio management (including hedging to reduce currency risk).
The Fund may also invest in approved money market instruments.	The Fund may invest in assets denominated in any currency. Non-Sterling exposure will typically be hedged back to Sterling to reduce currency risk but the Fund is permitted to take active non-Sterling exposure.
	The Fund is actively managed and can invest in companies of any market capitalization (small, medium or large) and in any industry sector.
	Through diversification, the Fund also looks to achieve lower volatility (i.e. changes in value) than global equities.

Although this change will not represent a change to the way in which the sub-fund is managed, or to its risk profile, the amendment is deemed by us to be significant for the purposes of the FCA rules and guidance and, as a result, we are required to provide you with at least 60 days' prior notice. This change will therefore be effective as of 7 September 2019.

- c) **Investment Policy of Kames Ethical Cautious Managed Fund** – We are further amending the investment policy of this Sub-Fund to permit up to 20% of total equity exposure to be in equity securities and equity-related securities of non-UK companies. We believe that allowing this additional flexibility is in the best interests of investors as it could provide additional investable opportunities at times when the UK ethically-screened universe seems more limited.

The new investment policy wording (including this change as well as the non-material additions/clarifications outlined in Section 1 above) will be as follows:

Current Policy Wording	New Policy Wording
To invest in a diversified range of UK equities and bonds, which meet the Fund's predefined ethical criteria. Equities will be limited to a maximum of 60% of the Fund's value at all times.	To invest in a diversified portfolio of equities denominated in any currency and corporate bonds denominated in Sterling and issued anywhere in the world.
A maximum of 10% of the net asset value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.	The Fund operates an ethical screen which means that the Fund may not invest in particular industries and sectors. In all cases, the investments of the Fund will meet the Fund's predefined ethical criteria. The Fund is actively managed and the portfolio may at any one time be allocated more towards equities or bonds depending on the ACD's view on the current market conditions.
It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments	

The Fund may hold cash and near cash.

Equities will be limited to a maximum of 60% of the Fund's value at all times. At least 80% of equity exposure will be to UK companies which are listed, quoted or traded in UK markets or which have their headquarters or a significant part of their activities in the UK but which may also be quoted on a regulated market outside of the UK. However, up to 20% of all equity investments may be made in non-UK companies.

In relation to investment in equities, the Fund can invest in companies of any market capitalization (small, medium or large) and in a range of industry sectors, subject to the Fund's ethical criteria. The Fund will typically invest in publicly quoted companies and have a bias towards small and medium companies.

At least 90% of all corporate bond investments will be in investment grade corporate bonds.

Investment grade corporate bonds are bonds issued by companies whose credit rating is deemed to be investment grade, defined as Baa3 or higher by Moody's Investor Services (Moody's) BBB- or higher by Standard & Poor's (S&P) or BBB- or higher by Fitch or its successors or equivalent or, in the case of unrated bonds, are deemed to have an equivalent rating by the ACD.

To the extent that the Fund is not fully invested in the main asset classes listed above, the Fund may also invest in other transferable securities, collective investment schemes (up to 10% of Net Asset Value and which may include schemes managed by the ACD or its affiliates), money market instruments, deposits and cash and near cash. It is intended that investment in any other collective investment schemes will be predominately in approved money market instruments.

Derivatives may be used for efficient portfolio management (including hedging to reduce currency risk).

Non-Sterling equity exposure may or may not be hedged back to Sterling to reduce currency risk.

This amendment is deemed by us to be significant for the purposes of the FCA rules and guidance and, as a result, we are required to provide you with at least 60 days' prior notice. This change will therefore be effective as of 7 September 2019.

d) **Investment Policy of Kames Ethical Equity Fund** – We are further amending the investment policy of this sub-fund to permit investment of up to 20% of its Net Asset Value in equity securities and equity-related securities of

non-UK companies. We believe that allowing this additional flexibility is in the best interests of investors as it could provide additional investable opportunities at times when the UK ethically-screened universe seems more limited.

The new investment policy wording (including this change as well as the non-material additions/clarifications outlined in Section 1 above) will be as follows:

Current Policy Wording	New Policy Wording
To invest in equities and equity type securities in companies based in the UK, principally conducting business in the UK or listed on the UK stock market, which meet the Fund's predefined ethical criteria.	The Fund will invest at least 80% in equities of companies which are listed, quoted or traded in UK markets or which have their headquarters or a significant part of their activities in the UK but which may also be quoted on a regulated market outside of the UK.
A maximum of 10% of the Net Asset Value of the Scheme Property of the Fund may be invested in units or shares of other collective investment schemes.	The Fund operates an ethical screen which means that the Fund may not invest in particular industries and sectors. In all cases, the investments of the Fund will meet the Fund's predefined ethical criteria.
It is intended that investment in such other collective investment schemes will be predominately in approved money market instruments	The Fund is actively managed and can invest in companies of any market capitalization (small, medium or large) and in a range of industry sectors, subject to the Fund's ethical criteria. The Fund will typically invest in publicly quoted companies although it will tend to have a bias towards small and medium companies.
The Fund may also hold cash and near cash.	At any one time, the scope of investment may be themed by industry, size or style to take advantage of opportunities identified by the ACD.
	The Fund can also invest up to 20% in equities of non-UK companies.
	To the extent that the Fund is not fully invested in the main asset class listed above, the Fund may also invest in other transferable securities, collective investment schemes (up to 10% of Net Asset Value and which may include schemes managed by the ACD or its affiliates), money market instruments, deposits and cash and near cash. It is intended that investment in any other collective investment schemes will be predominately in approved money market instruments.
	Derivatives can be used for efficient portfolio management (including hedging to reduce currency risk).
	Non-Sterling exposure will typically not be hedged back to Sterling.

This amendment is deemed by us to be significant for the purposes of the FCA rules and guidance and, as a result, we are required to provide you with at least 60 days' prior notice. This change will therefore be effective as of 7 September 2019.

Documents and Website

Please also refer to the following website link to see the full draft updated prospectus for the Fund, together with a note detailing the "Current vs. Proposed" changes to Appendix D (Sub-fund Details) of the prospectus:

<https://www.kamescapital.com/AMMS.aspx>

In addition, please note that the following supplementary documents may be updated on our website from the relevant effective date: KIIDs; fund factsheets; investor reports; investor presentations. These will be updated within the Fund Literature section of our website: <https://www.kamescapital.com/documentcentre.aspx>

Hard-copies of the current Prospectus and the KIID are available free of charge from Kames Capital, Kames House, 3 Lochside Crescent, Edinburgh, EH12 9SA.

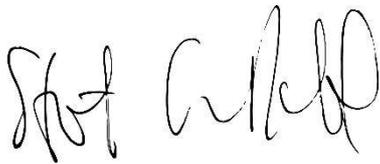
What action do you need to take?

You don't need to do anything – the above changes are being notified to you for information only.

If you have any questions or need more information, please contact our Investor Helpdesk on 0800 358 3009 or email us at kames@ntrs.com. We will be happy to help you.

Kames Capital cannot however give investment advice. If you require investment advice in connection with the content of this letter, we recommend that you contact an independent financial adviser.

Yours faithfully



Stuart Donald
Head of Commercial Services and Strategy
Kames Capital plc