

Adviser Choice

Investec Cautious Managed Fund

As at 30 June 2010



Investment objective

The Investec Cautious Managed Fund aims to grow income and capital over the medium term. The objective is to achieve returns in excess of the fund's peer group average, measured over three to five year periods.

Strategy

The fund invests in a mix of South African equities, bonds and money market instruments, as well as international equity and fixed interest investments. Regulation 28 currently limits equity exposure to 75% of the fund (90% with listed property) and international exposure to 20% (for retirement funds exempted from the 15% limit). The fund's classification however limits equity exposure to 40% of the fund. Equities are selected using a value-biased approach, meaning that the fund favours companies which are trading at a discount to their fundamental value. Overall, the fund is positioned in such a way that there is a low propensity for capital loss.

Fund features

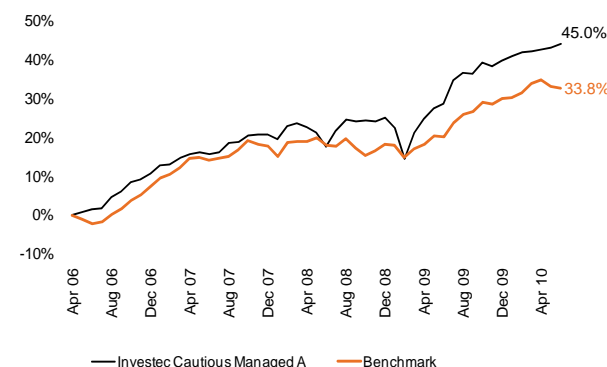
- A conservative, balanced fund for cautious investors
- Suitable as a core portfolio holding around which more aggressive investments can be added
- Low equity weighting limits drawdown
- Lower volatility than traditional balanced funds
- A value-based, contrarian approach to stock selection reduces the equity downside risk

Performance

Monthly performance % (A Class, net of fees)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|-------------|------|------|-----|------|------|------|-----|-----|------|-----|------|-----|-------------|
| 2006 | - | - | - | 0.8 | 0.3 | 0.5 | 0.3 | 2.8 | 1.5 | 2.1 | 0.7 | 1.3 | 10.8 |
| 2007 | 2.1 | 0.2 | 1.4 | 1.0 | 0.3 | -0.3 | 0.4 | 1.9 | 0.3 | 1.5 | 0.1 | 0.1 | 9.3 |
| 2008 | -1.0 | 2.7 | 0.5 | -0.7 | -1.1 | -3.0 | 3.4 | 2.5 | -0.4 | 0.2 | -0.2 | 0.7 | 3.5 |
| 2009 | -2.1 | -6.4 | 5.9 | 2.9 | 2.2 | 1.0 | 4.5 | 1.4 | -0.1 | 2.1 | -0.7 | 1.1 | 11.9 |
| 2010 | 0.9 | 0.6 | 0.2 | 0.3 | 0.4 | 0.6 | | | | | | | 3.0 |

Cumulative returns since inception*



Source: Morningstar, NAV-NAV, Gross Income Reinvested. * Inception date: April 2006

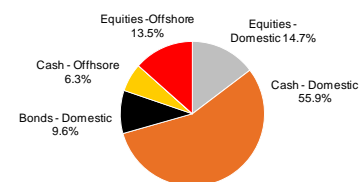
Historic Performance

| Cumulative returns | 1 year | 3 years |
|-----------------------------|--------|---------|
| Investec Cautious Managed A | 11.8% | 24.4% |
| Investec Cautious Managed B | 11.8% | 24.9% |
| Sector | 10.5% | 16.2% |

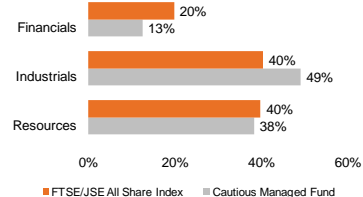
| Annualised returns | 1 year | 3 years |
|-----------------------------|--------|---------|
| Investec Cautious Managed A | 11.8% | 7.5% |
| Investec Cautious Managed B | 11.8% | 7.7% |
| Sector | 10.5% | 5.1% |

Portfolio characteristics

Effective asset allocation



Sector allocation



Top 10 holdings

MTN Group
Newgold Issuer
British American Tobacco
Sasol
Harmony Gold Mining
Gold Fields
JD Group South Africa
Sappi
Sun International
Capital Shopping Centres

Risk profile



Key Facts

Portfolio manager: Sam Houlie
Launch date: 1 April 2006
Sector: Domestic AA Prudential Low Equity
Size of fund: R3.5 billion
Benchmark: Peer Group Average
Minimum investment:
R10 000 lump sum or R500 monthly debit order

Fees

| | A Class | B Class |
|-------------------------|-----------|-----------|
| Initial fund fee | 0% | 0% |
| Initial Adviser fee | 3.00%* | 0% |
| Annual Management fee | 1.50% | 1.50% |

*Negotiable
Fees are shown excluding VAT

Total expense ratio (TER)*

The TERs for this fund are listed below.

| | A Class | B Class |
|-----|---------|---------|
| TER | 1.85% | 1.85% |

TERs shown are including VAT

Income distribution

Income distribution dates

March, June, September, December

Previous income distribution for 3 months to 30 June 2010

A Class: Net dividend 0.12 cpu
B Class: Net dividend 0.12 cpu
A Class: Interest distribution 0.70 cpu
B Class: Interest distribution 0.70 cpu

Contact details

Investec Fund Managers
36 Hans Strijdom Avenue
Foreshore
Cape Town
8001
South Africa

Telephone **0860 500 100**

To find out more about this and other Investec Fund Managers Funds, visit www.investecassetmanagement.com

Trustees
First National Bank
P O Box 7713
Johannesburg
2000

Collective investment schemes in securities (unit trusts) are generally medium to long term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Forward pricing is used. Quantifiable deductions are the initial fee whilst non-quantifiable deductions included in the net asset value price may comprise brokerage, MST, auditor's fees, bank charges, trustee and custodian fees. Commissions and incentives may be paid and if so, would be included in the overall costs. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. If required, the portfolio manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accrued and less any permissible deductions from the portfolio. Different classes of units apply to the fund and are subject to different fees and charges. Fund valuations take place at approximately 16h00 SA time each day. Purchase and repurchase requests must be received by the Manager by 16h00 SA time each business day. Performance figures are based on lump sum investment (if applicable). This portfolio may be closed in order to be managed in accordance with the mandate (if applicable). The risk profile is a measure of volatility, i.e. how the absolute return of the fund varies. Note that there are other risks in the fund, which are not reflected in this rating. A higher TER ratio does not necessarily imply poor return, nor does a low TER imply a good return. The current TER can not be regarded as an indication of the future TERs. A copy of our performance fees FAQ is available at www.investecassetmanagement.com. Investec Fund Managers SA Ltd is a member of the Association for Savings & Investment SA.



Adviser Choice

Investec Cautious Managed Fund

As at 30 June 2010

Market review

The second quarter of 2010 reminded investors and market commentators that excess global indebtedness, which had resulted in the global financial crises, was not likely to be resolved in a few short months or by some extraordinary policy miracle. The spotlight remained firmly focused on Europe, with certain countries in the region straining under the heavy burden of unsustainable funding requirements. Global share markets headed lower as uncertainty rose around the likelihood of a V-shaped economic recovery. The MSCI World Index dropped sharply, closing 12.5% down over the quarter, dragging this year's returns into negative territory (-9.6%). Emerging markets fared somewhat better, shedding 8.3% over the quarter and 6% year to date.

The FTSE/JSE All Share Index lost 8.2%, dragging the year's returns 4.1% lower. The weaker rand detracted from US dollar returns. The local currency depreciated 4.9% over the quarter and 3.5% year to date against the dollar. The rand gained significantly against the euro, appreciating 12% over the first six months of 2010. Resources were worst hit over the quarter, with platinum and diversified miners off 11% and 18.2% respectively. The gold sector was the best performer over the quarter, rising 16.5%. Other defensive sectors also performed admirably: food and drug retailers ended 11.9% higher and fixed line telecommunications surged 10.5%. Industrials lost 7% with general retailers (4.1%) outperforming the local banking sector (-9.9%) by a wide margin.

Bonds, cash and listed property provided positive returns over the quarter. Cash returned 1.7%, bonds 1.1% and listed property rose 0.6%. Year to date, listed property remains the best performing asset class (10.6%).

Portfolio review

The portfolio generated a satisfactory positive return in the second quarter. The result was very pleasing in the context of a domestic equity market that declined sharply over the review period. Our cautious stance and early positioning contributed strongly to the performance.

Portfolio activity

The portfolio's equity weighting remains above average on a gross basis, but we have steadily reduced the net domestic equity weighting through a combination of selling and selective hedging. We now have a higher weighting in global equities and within domestic equities we have a more defensive stance.

In our view, market participants have bid up the prices of certain interest-rate sensitive stocks (credit retailers and banks) to relatively optimistic levels. Our fundamental view on domestic banks remains unchanged, but we continued to reduce the portfolio weighting during the quarter. We used the proceeds to increase our exposure to recent laggards and select resource stocks. The portfolio's cash holdings remain high and position us to take advantage of future opportunities.

Portfolio positioning

We remain very comfortable with a dramatically reduced exposure to risk assets. Our underlying domestic and global equity holdings have a quality and defensive bias. We remain concerned about the fragility of the global economic recovery and still have doubts regarding the level of earnings that can realistically be sustained.

Market participants remain eager to resume the recent momentum in risk assets (commodities and emerging markets) and higher-yielding currencies. We remain very sceptical and believe that a reversal of this well-established trend is inevitable and represents a latent risk.

In contrast to early 2009, we are less optimistic about the prospective returns for equities and we anticipate that returns will be lower than in 2009. If our expectations prove to be wrong, the equity market will have to be engulfed in a bout of speculative euphoria or the economy will have to grow at double its current run rate (or both). Neither of these outcomes, whether in isolation or in combination, strikes us as being very probable at this juncture. Aggregate valuations are no longer cheap and the current absolute level has historically set the scene for uninspiring prospective returns for equities.

The recent correction has been insufficient to change our fundamental view and outlook. Less favourable valuations and more than adequately discounted long-term fundamentals have led us to maintain our level of caution. As a consequence, we remain defensively positioned with significant hedges and a high cash position.