

Investec Equity Fund

As at 30 June 2010

Investment objective

The Investec Equity Fund aims to provide investors with capital growth over the long term. The objective is to achieve returns well in excess of the FTSE/JSE All Share Index, measured over three year periods.

Strategy

The fund is actively managed and invests in South African equities. The mandate is not restricted to any specific investment style. The investment strategy is underpinned by extensive research focusing on three sector groupings: resources, industrials and financials. The focus is predominantly on individual stock selection. However, macro-economic considerations such as interest rates and the performance of the rand also play an integral part in constructing the portfolio.

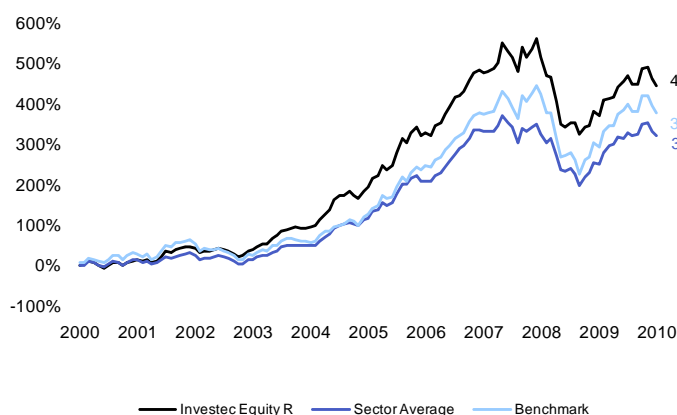
Fund features

- Consistent top quartile returns
- Proven ability to outperform in all market conditions
- Flexible investment style and stock selection process
- An equity only fund for investors seeking capital growth over the long term

Performance (R Class, net of fees)

Cumulative returns	1 year	3 years	5 years	10 years	Since incep.	Annualised returns	1 year	3 years	5 years	10 years	Since incep.
Investec Equity Fund	15.8%	-5.7%	86.8%	445.1%	4,378.4%	Investec Equity Fund	15.8%	-1.9%	13.3%	18.5%	18.3%
Sector	19.6%	-2.1%	95.0%	320.6%	3,006.5%	Sector	19.6%	-0.7%	14.3%	15.5%	16.4%
Benchmark	21.8%	0.8%	112.3%	355.5%	2,576.5%	Benchmark	21.8%	0.3%	16.3%	16.4%	15.7%

10 Year cumulative returns



Three year risk statistics

3 Year Volatility (Standard deviation) ¹	18.1%
3 Year Sharpe Ratio ²	-0.66
Information Ratio ³	-0.30
Maximum Drawdown	-35.7%

¹Standard Deviation: Measures the volatility of investment return. The higher the standard deviation, the more volatile the fund's returns.

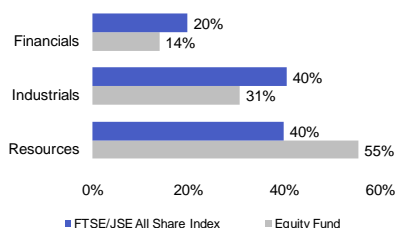
²Sharpe Ratio: Measures the risk adjusted return of a unit trust fund compared to the risk-free rate of return (money market return).

³Information Ratio: Measures a fund's performance relative to the risk in the benchmark.

Source: Morningstar, NAV-NAV, Gross Income Reinvested.

Portfolio characteristics

Subsector allocation



Industry holdings

Basic Materials	39.6%
Financials	13.4%
Consumer Goods	12.7%
Additional	7.6%
Telecommunications	6.6%
Oil & Gas	6.3%
Consumer Services	5.0%
Health Care	4.2%
Industrials	1.1%

Top 10 holdings

Anglo American Plc
Newgold Issuer
MTN Group
SABMiller
Sasol
Anglogold Ashanti
BHP Billiton
Clicks Group
Anglo Platinum
Northam Platinum



Risk profile



Key Facts

Portfolio manager: Adrian De Fay
Launch date: 1 November 1987
Sector: Domestic EQ General
Size of fund: R3.5 billion
Benchmark: FTSE/JSE All Share Index (ALSI)
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%
*Negotiable		

Annual management fee

	A Class	B Class
Minimum	0.85%	0.85%
Sharing rate [#]	20%	20%
Maximum fee	3.00%	3.00%

[#]The manager shares in the fund performance above the benchmark, FTSE JSE ALSI. If the fund performs in line with its ALSI benchmark then the Class A and B annual management fee is 0.85%. Fees are shown excluding VAT

Total expense ratio (TER)^{*}

The TERs for this fund are listed below. The performance fee shown below is included in the TERs.

	A Class	B Class
TER	1.19%	1.27%
Performance fee	0.00%	0.28%

TERs shown are including VAT
 The minimum and maximum on annual management fees apply over financial years ending 31 March. TERs are calculated over rolling 12-month periods which often include performance fee accruals from two financial years. This can lead to a TER smaller than the minimum or greater than the maximum. Over the financial year ending 31 March 2010, the fund had TERs of 1.00% (A-class) and 1.00% (B-class).

Income distribution

Income distribution dates

March & September

Previous income distribution for 6 months to 31 March 2010

A Class: Net dividend 5.07 cpu
 B Class: Net dividend 5.05 cpu
 A Class: Interest distribution 0.33 cpu
 B Class: Interest distribution 0.35 cpu

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Adviser Choice

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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 Investec Equity portfolio had a difficult second quarter, but managed to outperform the general market. The review period proved to be decisive from an economic point of view, with the G20 meeting revealing diverse policy positions. After this meeting it became apparent that there would be two different approaches in the future regarding the use of monetary and fiscal measures. The US remains committed to solving an anaemic economic growth rate through ongoing stimulation, as the recovery does not seem sustainable thus far. Europe and the UK are of the view that their excessive fiscal deficits need to be addressed through spending cuts and increased taxation. At the same time, China has started to rein in lending, which will also curb economic growth.

Despite these policy headwinds for global growth, the IMF has upwardly revised their global economic growth forecasts for 2010 from 4.2% to 4.6%. It is, however, hard to believe that global growth will not be adversely affected by the austerity measures which Europe and the UK intend to implement with immediate effect. A decline in economic growth could have a negative impact on equity markets. Global stock markets began weakening from mid April and continued to fall quite sharply after the G20 meeting on 27 June.

Portfolio activity

Early in the quarter, the portfolio's overweight resources position was pruned by reducing the holding in Kumba Iron Ore and BHP Billiton. These holdings were effectively switched into MTN. The result being that MTN is now the portfolio's third largest position. The reason for making such a switch was to realise some of the positive returns earned during the last nine months in resources, and to reduce the overall market risk of the portfolio.

In the current environment we consider Naspers to be a high risk stock and we therefore sold the counter. Naspers's stake in Tencent Holdings represents 72% of its market capitalisation at present. Tencent Holdings' risk is evident in its high market rating of 36.5 times historic earnings and 27.7 times one-year earnings.

Portfolio positioning

Our top ten positions now comprise approximately 63 percent of the entire portfolio. Half of the top ten positions consist of gold and defensive stocks and the other half of high beta shares. Most of the high beta stocks in the portfolio are resource shares, which on a valuation basis appear to be very attractively priced. As these companies continue to grow their earnings, their price earnings ratios continue to compress. Any price increase is being offset by a greater appreciation in earnings for the time being. The defensive stocks generally have significantly higher ratings than the resource stocks; they typically have a one-year forward price earnings multiple of 2.5 times the diversified miners.

If global growth continues to surprise on the upside, the higher beta plays such as the resource stocks are likely to outperform in such an environment. In the event of lower economic growth, their valuations should provide a cushion of price support.