

Adviser Choice

# Investec Managed Fund

As at 30 June 2010

## Investment objective

The Investec Managed Fund aims to provide investors with stable growth of capital over the long term. The objective is to achieve returns well 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 allocation of assets is actively managed with a strong bias towards equities.

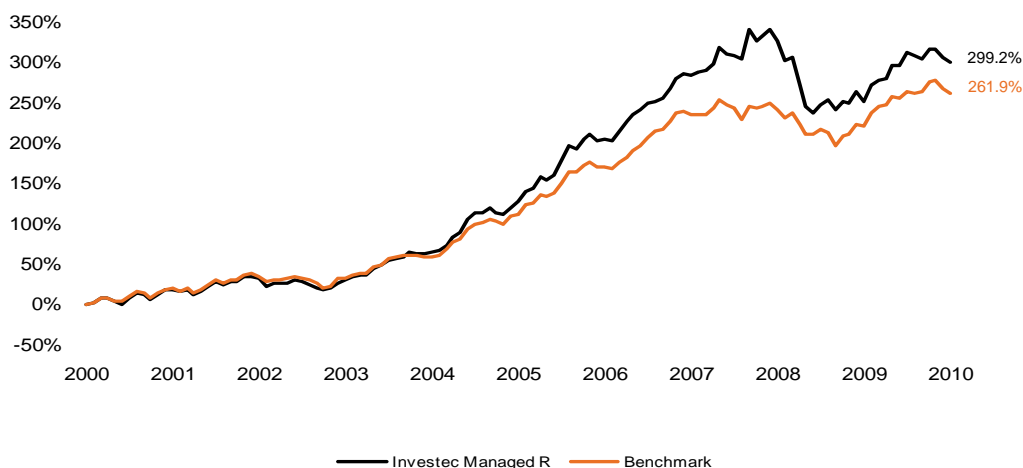
## Fund features

- Consistent top quartile returns
- A balanced fund for investors who don't want to actively manage their own asset allocation
- Flexible investment style and stock selection process

## Performance and risk

Annualised returns (R Class)	1 year	3 years	5 years	10 years	Since incep.	Risk figures (3 years)	Standard deviation <sup>1</sup>	Sharpe ratio <sup>2</sup>
Investec Managed Fund	14.0%	1.4%	12.0%	14.9%	15.2%		12.8%	-0.67
Sector average	12.7%	2.7%	11.4%	13.7%	14.7%			

## 10 Year cumulative returns



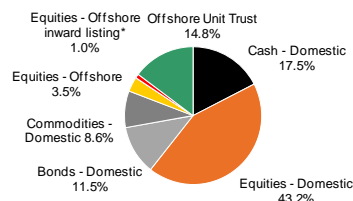
Source: Morningstar, NAV-NAV, Gross Income Reinvested.

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

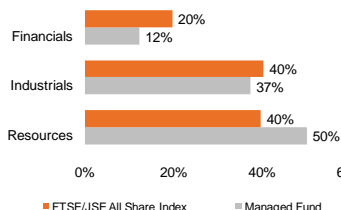
2Sharpe Ratio: Measures the risk adjusted return of a unit trust fund compared to the risk-free rate of return (money market return).

## Portfolio characteristics

### Effective asset allocation



### Sector allocation



### Top 10 holdings

Newgold Issuer  
BHP Billiton  
Anglo Platinum  
SABMiller  
RMB Holdings  
Woolworths Holdings SA  
Harmony Gold Mining Co.  
Santam  
MTN Group  
Dimension Data Holdings

## Risk profile



## Key Facts

**Portfolio manager:** Gail Daniel  
**Launch date:** 10 February 1994  
**Sector:** Domestic AA Prudential Variable Equity\*  
**Size of fund:** R4.3 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%

\*Negotiable

## Annual management fee

	A Class	B Class
Minimum	0.95%	0.95%
Sharing rate <sup>#</sup>	20%	20%
Maximum fee	3.00%	3.00%

<sup>#</sup>The manager shares in the fund performance above the benchmark, Sector Average. If the fund performs in line with its benchmark then the Class A and B annual management fee is 0.95%. 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	1.22%	1.22%
Performance fee	0%	0%

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 1.11% (A-class) and 1.11% (B-class).

## Income distribution

### Income distribution dates

March & September

### Previous income distribution for 6 months to 31 March 2010

A Class: Net dividend 1.41cpu  
B Class: Net dividend 1.37cpu  
A Class: Interest distribution 1.75cpu  
B Class: Interest distribution 1.80cpu

## Contact details

### Investec Fund Managers

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To find out more about this and other Investec Fund Managers Funds, visit [www.investecassetmanagement.com](http://www.investecassetmanagement.com)

### Trustees

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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 accrual 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). \* Inward-listings are shares that are listed on the JSE but regarded by the SA Reserve Bank as foreign investments. A notable example is British American Tobacco (BAT) which used to be held via Remgro and Richmond, both being domestic BAT was unbundled at the end of October 2008 and inward-listed on the JSE. The presence of inward-listings in the Fund does not therefore mean that the Fund's investment strategy has changed in any way. 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](http://www.investecassetmanagement.com). Investec Fund Managers SA Ltd is a member of the Association for Savings & Investment SA.

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Asset Management



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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 Managed Fund returned -3.9% over the second quarter of 2010. We were defensively positioned with a large holding in the gold exchange traded fund and gold shares. Around 15% of the portfolio is invested in gold and gold companies. We took this position as we were concerned about the enormous debt burden of developed market countries. In addition, we usually run a short futures position or increase the cash weightings.

Large cap share prices fell considerably faster than their mid cap counterparts. We do have exposure to mid cap shares, such as Mr Price and Woolworths. Both of these companies are on dividend yields of over 5% and are growing their dividends. However, South Africa may also feel the impact of a second global slowdown. We are running the second largest budget deficit in emerging markets and have one of the worst current account deficits and unemployment rates out of the countries measured by The Economist. Mid caps in general could be vulnerable.

Resource (ex gold) and financial counters performed poorly, which is unusual. We should have had fewer resource counters, but did not have a heavy weighting in financial shares. Mobile telecoms also lost ground. MTN was weaker and we bought a few shares towards the end of the quarter.

Our equity weighting fluctuated during the review period, but was at levels below 50% for most of the quarter. There are some very attractively valued shares both locally and internationally, for instance, Taiwan Semi Conductor trades on a 6% dividend yield and is growing. However, we think that equity markets are going to become very cheap whilst the debt overhang is a dominant theme in world financial markets.

We are not favourably disposed to South African bonds as we are concerned about currency weakness and an imminent bottom in inflation expectations. Real wage increases (for those employed) are too high to keep inflation around the 4% mark.

Developed market debt levels are excessive and fiscal drag is unprecedented. A renewed global slowdown in the developed world is likely. Leading indicators are rolling over and Chinese growth has been slowing. Our view is that the recent announcements of de-pegging the renminbi were nothing more than lip service ahead of the G20 meeting. As the US Congressional elections draw closer, China may face further pressure in this regard.

## Portfolio activity

The portfolio's weighting in cyclical counters was reduced over the quarter and the defensive holdings were increased. We looked for shares with high dividend yields, and a few of these can now be found. During the quarter we were sellers of Anglo American, African Mineral Resources, Sasol, Kumba Iron Ore, Sappi and Old Mutual whilst we trimmed our Steinhoff holdings.

We further increased our exposure to gold shares. Our view is that we are likely to enter a very favourable environment for gold companies with the rand weakening and the gold price strengthening. The European bailout of Greece (albeit very imperfect) illustrates how quantitative easing is still ongoing, and gold has the best supply characteristics of any currency globally. We were buyers of Vodacom, Didata and SABMiller.

## Portfolio positioning

The portfolio remains defensively positioned. Strong private sector growth is essential to help counteract the over-indebted position of governments. There has not been much deleveraging, merely a transfer of debt from consumers to governments. Further quantitative easing in the medium term is very likely. The global nature of the problem makes it all the more difficult to resolve. We expect to see a further divergence between economies displaying different fundamental characteristics.

The portfolio remains heavily weighted in gold and gold shares. We have reduced our overweight position in non-gold resource counters. The gold price continues to move higher with some vigorous profit-taking at times. We are underweight the local banking sector, as we think that share prices do not adequately reflect banks' low growth characteristics. Recent declines in share prices have made some of these counters more attractive. The earnings growth that will be derived over the next two years will be from declining bad debts. The National Credit Act is, however, curbing loan growth and until consumers have worked off their debt, growth is going to be muted in the credit space.

We prefer cash retailers to credit retailers and remain concerned that local companies are not positioned to produce the type of earnings growth that the shares require. The portfolio is underweight bonds, with most of our exposure in this space consisting of inflation-guaranteed corporate bonds. We currently have no exposure to property.

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