

# Market Talk

"...we are neither bullish nor bearish, but are opportunistically cautious."

Gail Daniel, portfolio manager, Investec Managed Fund



The current volatility in both local and international markets has highlighted the need for a portfolio manager that actively allocates between asset classes and has strong stock selection skills. The consistent top quartile performance of the **Investec Managed Fund** over both the short and the long term has demonstrated success at both. Gail Daniel, portfolio manager of the Investec Managed Fund, talks to us about the fund and current market conditions.

## What is the objective of the Investec Managed Fund?

The Investec Managed Fund aims to provide investors with stable capital growth 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.

## How do you set out to achieve this objective?

By actively managing the allocation of assets between South African equities, bonds, property, commodities as well as international equities and fixed interest investments. This allows us to diversify the risk without compromising the expected return of the portfolio.

## How do you implement your investment philosophy and process?

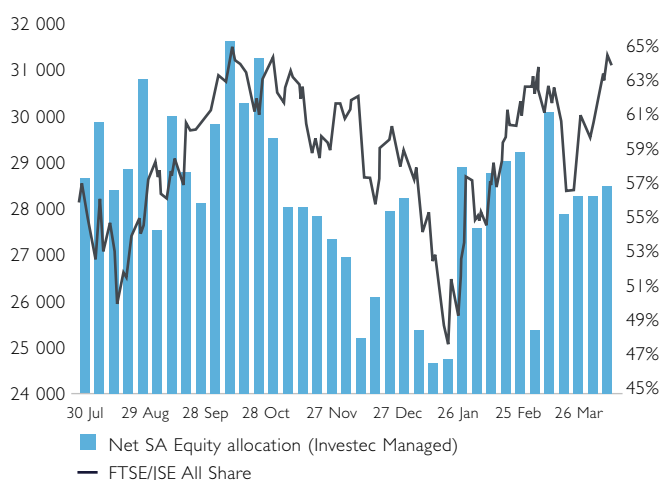
The Investec Managed Fund is style agnostic over time. This means that we don't employ a permanent style bias in managing the portfolio. In terms of equities we take advantage of momentum in the market regardless of whether the opportunity lies in growth or value shares.

The Fund also manages to successfully merge macro economic variables with the bottom-up stock selection process. In a world that is becoming more and more globalised, it is hard to ignore the global macro-economic variables that drive markets and their impact on company valuations. A case in point is the effect of higher commodity prices on corporate activity within the global resources sector. While the Western world is grappling with the very real possibility of a recession in the US, the commodity cycle has been fuelled by continued demand from Asia and producer supply constraints.

I also rely on the investment ideas generated by our team of analysts in South Africa and the UK. And given that we are a multi-specialist house, the diversity of opinion stimulates vigorous debate and fresh ideas.

## How does this impact on your asset allocation?

We have an active asset allocation strategy which allows us to take advantage of investment opportunities presented by prevailing market conditions both on a global and domestic basis. The chart shows the Fund's active SA equity allocation relative to the JSE/FTSE All Share Index. At the bottom of the market sell off we increased our equity exposure as we believed investors overreacted to the supply disruptions from leading commodity producers as result of the power cuts. This benefits rising commodity prices and offsets the supply constraints.



## What type of investors should be looking to invest in the Fund?

The Investec Managed Fund has a moderate to aggressive risk profile. The Fund complies with Regulation 28 of the Pension Funds Act, making it suitable for individuals who are saving for retirement or those who are already retired.

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## Do you consider the Investec Managed Fund to be riskier than its peers?

No not at all. Our long-term track record has proven that we have successfully outperformed our benchmark without assuming excessive risk. The chart plots the risk and returns per annum over the past five years to the end of March 2008 for the Fund and its peers. It shows that the Fund is the top-performing asset allocation fund yet has a similar risk profile to the average fund in its peer group.

I would also caution investors not to look at short-term risk return charts, as these give no indication of the portfolio managers' long-term ability to manage the risk reward dynamic.

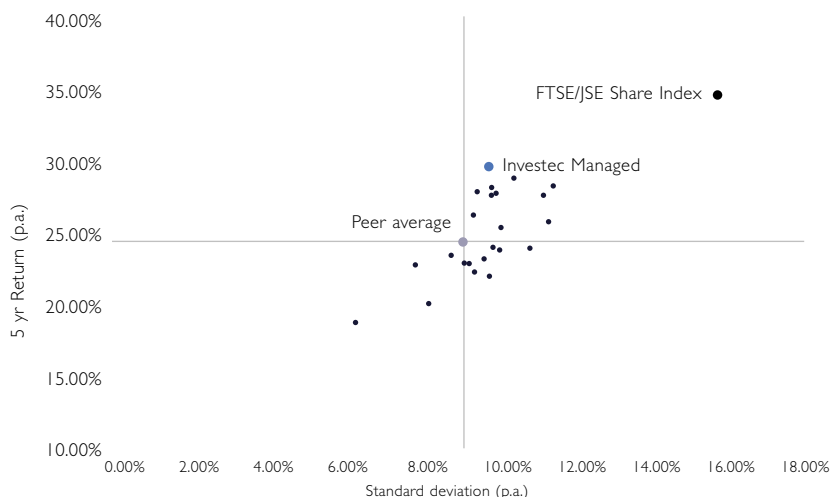
## Do you believe that the Fund will continue to deliver this type of return?

I have no doubt that the Fund will perform in line with the ten year annualised return of 15.0% per annum. Once again, I would caution investors not to judge the fund on a short-term performance basis but to look at the longer term.

## Can you tell us what you are expecting from markets for the rest of the year? Are you bullish or bearish about markets?

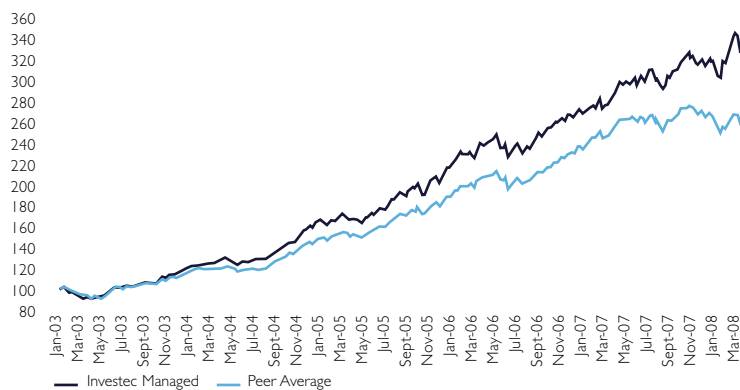
We started the year with the view that 2008 would present considerable challenges, as the equity market environment has become a lot murkier. Nothing has changed. We continue to have a cautious outlook but will actively seek to exploit investment opportunities in the market without assuming undue risk. In summary then, we are neither bullish nor bearish, but are opportunistically cautious.

Return Scatter plot 5 years p.a.



Source: Morningstar and Investec Asset Management. All performance is calculated net of all fees with all distributions re-invested.

Managed Fund versus the Peer Average



Source: Morningstar: 31st March 98 to 31st March, Bid-Bid, Gross (old basis), Based in South African Rand, Calculation Indexed. Past performance is not a guide to future performance.

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