

# Investec Opportunity Fund

As at 30 June 2010

## Investment objective

The Investec Opportunity Fund aims to produce dependable inflation-beating returns, while minimising downside risk. The objective is to achieve returns well in excess of inflation 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. Equity exposure is currently limited to 75% and the international exposure to 20%. The allocation of assets is actively managed with a bias towards equities that are attractively priced given their inherent value.

## Fund features

- Strong focus on capital preservation and absolute returns through active asset allocation and stock selection decisions
- Emphasis on companies with consistent real dividend and earnings growth
- Lower volatility than traditional balanced funds

## Performance

### Monthly performance % (A Class, net of fees)

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>2000</b>						5.5	0.9	7.4	-1.4	-4.2	-0.3	7.0	<b>15.2</b>
<b>2001</b>	4.5	0.7	-2.6	3.8	4.8	4.5	0.2	2.2	-3.8	0.9	4.3	-0.3	<b>20.4</b>
<b>2002</b>	-2.3	-1.3	2.3	4.8	2.8	-0.8	-2.1	1.5	1.0	1.2	2.9	-1.8	<b>8.2</b>
<b>2003</b>	0.2	-2.5	-4.7	0.2	8.4	1.5	4.6	1.8	-1.1	6.9	2.3	6.0	<b>25.3</b>
<b>2004</b>	2.4	0.4	2.1	-0.4	-0.1	1.2	1.8	4.8	4.6	4.4	6.1	3.7	<b>35.5</b>
<b>2005</b>	0.2	2.9	-1.7	-1.1	5.5	2.5	5.4	1.3	4.4	-0.5	1.3	6.0	<b>29.1</b>
<b>2006</b>	5.4	-0.2	4.2	1.2	-1.9	-0.6	0.5	3.1	1.0	2.9	2.2	3.6	<b>23.3</b>
<b>2007</b>	2.8	0.3	2.6	2.8	0.2	0.1	0.1	1.0	1.2	3.9	-1.0	-0.4	<b>14.3</b>
<b>2008</b>	-3.2	7.0	-0.2	1.1	2.2	-4.5	-2.2	3.2	-3.6	-4.9	-1.9	2.3	<b>-5.3</b>
<b>2009</b>	-0.9	-6.9	4.7	2.9	2.2	0.5	8.1	1.9	0.7	4.1	-0.6	3.3	<b>20.9</b>
<b>2010</b>	-0.4	0.8	2.9	0.7	-3.1	-0.1							<b>0.7</b>

## Risk and return

### Historic performance

Cumulative returns	1 year	3 years	5 years	10 years	Since incep.
Investec Opportunity Fund R	19.7%	21.0%	98.7%	436.8%	1,029.4%
Sector	15.5%	4.0%	74.9%	246.4%	521.5%
Headline CPI #	4.6%	25.3%	38.8%	87.8%	132.5%

### Average annualised returns

	3 years	5 years	10 years	Since incep.
Investec Opportunity Fund R	6.6%	14.7%	18.3%	20.4%

Source: Investec Asset Management, Morningstar, NAV-NAV, Gross Income Reinvested. # Headline CPI (for all urban areas)

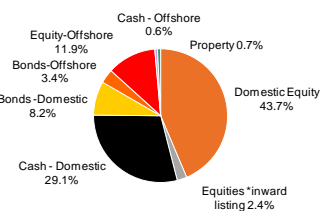
but CPIX for periods before 1/1/2009, lagged by a month

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

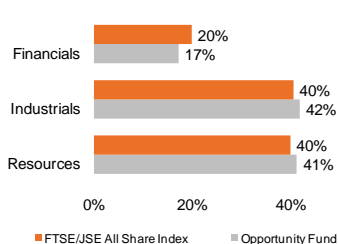
2 Sharpe ratio: Measure the risk adjusted return of a unit trust fund compared to the risk-free rate of return (money market return).

## Asset allocation

### Effective asset allocation



### Sector allocation



### Top 10 holdings

Assore  
Newgold Issuer  
Standard Bank Group  
Sasol  
MTN Group  
British American Tobacco  
Steinhoff International Holdings  
Pick n Pay Holdings  
Richemont SA  
Impala Platinum Holdings

## Contact details

### Investec Fund Managers

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**Trustees**  
**First National Bank**  
P O Box 7713  
Johannesburg  
2000

## Risk profile



## Key Facts

**Portfolio manager:** Clyde Rossouw

**Launch date:** 1 May 1997

**Sector:** Domestic AA Flexible

**Size of fund:** R9.3 billion

**Target return:** Headline CPI +6% pa (under current market conditions) measured net of fees over 3 to 5 years

**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%

#The manager shares in the fund performance above a fee hurdle, Headline CPI +2%. If the fund performs in line with this hurdle 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	1.99%	2.49%
Performance fee	0.80%*	1.31%*

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 2.51% (A-class) and 3.07% (B-class).

## Income distribution

### Income distribution dates

March & September

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

A Class: Net dividend 0.71 cpu

B Class: Net dividend 0.70 cpu

A Class: Interest distribution 2.58 cpu

B Class: Interest distribution 2.67 cpu

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 Richemont, 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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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 performances of the index-leading share prices have faltered, reflecting the more realistic prospect that economic conditions might be substantially subdued. The globally sensitive shares have ceded their gains of 2009 and have begun to discount a wobble in the global economy. After a promising start to the year, local equities sold off during the second quarter, erasing the first quarter's gains. There were very few performers over the second quarter; retailers, listed property and gold provided positive returns.

The divergence between the underlying commodities and the share prices of the producers of these commodities has become so stark that metal prices need to fall around 20% from end June levels to justify some resource share prices. We suspect that buying opportunities will emerge in the resources sector.

The listed retail sector has seen fantastic gains. We have not held much exposure to these shares and continue to find no value, with the exception of Richemont and Pick n Pay. Richemont has started discounting the growth of the emerging luxury class in Asia and company earnings are only now moving out of the trough. Pick n Pay has finally made progress in respect of the sale of the Australian operations. Our view is that the sustainable earnings power of the group remains underappreciated, and the move to centralised distribution and the drive to eliminate loss-making activities will start to improve the sustainable earnings profile.

Our biggest disappointments have been Sasol and MTN, which remain attractively valued. These shares seem to have lost favour with the global emerging market fund managers, given the strong performance of the retailers. In this regard, momentum has taken over from value. MTN suffers from a deal overhang discount. The market continues to be concerned that an acquisition is being lined up and management's apparent desperation is a widely held market concern. Our view is that an adverse outcome is unlikely and we believe that continued operational performance will ultimately be rewarded and reflected in the share price.

The bond component of the portfolio performed respectably in the first six months of the year, slightly ahead of our expectations. Our global equity portfolio has outperformed the MSCI World Index, producing attractive double-digit rand returns over the past twelve months. However, performance has been subdued this year.

## Portfolio positioning

Whilst the world is scrambling to generate positive real returns, the continued disciplined approach by the South African Reserve Bank ensures that local cash is not unattractive, despite offering only moderate rates of interest. We are waiting for signs that the property market in China stabilises, following the targeted measures to stem asset price inflation. The Chinese stock market has not yet signalled a bottom, as reflected in the Shanghai Composite Index. We are comfortable with the portfolio's low equity weighting for now.

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