

Adviser Choice

Investec Opportunity Income Fund

As at 30 June 2010

Investment objective

The Investec Opportunity Income Fund aims to grow income and capital. The fund targets returns in excess of the All Bond Index, measured over three year periods.

Strategy

The fund may invest across the full spectrum of South African fixed-income assets. These include government, corporate and inflation-linked bonds as well as listed property and cash. Non-government bond exposure is currently limited to 25%.

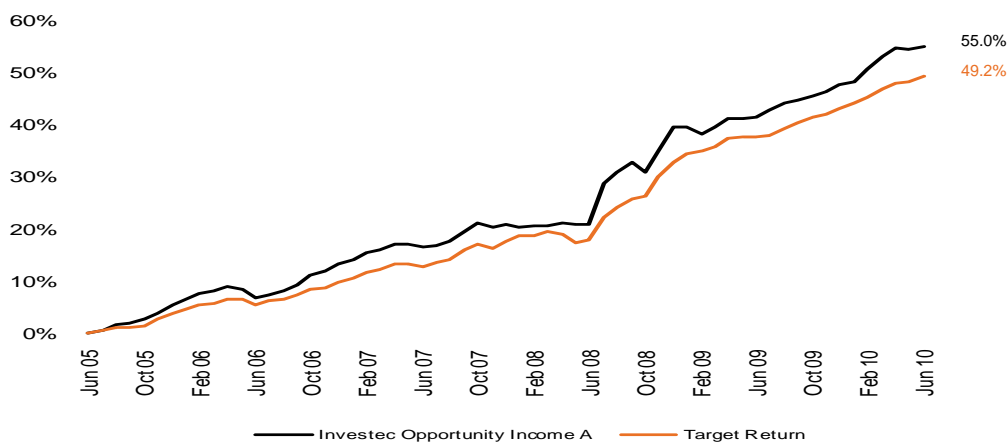
Fund features

- The focus is on reducing volatility of returns and preserving capital through active asset management
- Aims to outperform the average bond, income and money market funds over the medium to long term
- The fund may have the characteristics of a gilt fund, a pure income fund or anywhere in between, depending on the interest rate cycle
- Ideal vehicle for living annuity clients

Performance

Cumulative returns	1 year	3 years	5 years	Since incep.	Annualised returns	3 years	5 years	Since incep.
Opportunity Income A	9.6%	33.1%	55.0%	241.3%	Opportunity Income A	10.0%	9.2%	13.1%
Opportunity Income B	9.6%	33.7%	56.5%	249.6%	Opportunity Income B	10.1%	9.4%	13.3%
Target Return	8.4%	32.2%	49.2%	157.4%	Target Return	9.8%	8.3%	10.0%

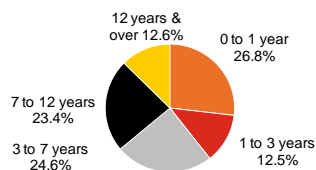
5 Year cumulative returns



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

Asset allocation

Duration distribution



Type of holdings

Type of holdings	% of fund
Government	43.9%
Financials	25.5%
Additional	10.0%
Parastatals	3.3%
Consumer Goods	1.1%
Industrials	0.8%
Government	43.9%

Characteristics

Income Yield	8.30%
Average duration	3 years 4 months

Risk profile



Key Facts

Portfolio manager: Malcolm Charles & John Stopford
Launch date: 3 July 2000
Sector: Domestic FI Varied Specialist
Size of fund: R3.0 billion
Benchmark: All Bond Index (ALBI)
Target Return: All Bond Index (ALBI) 1-3 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	0.60%*	0%
Annual management fee	1.00%	1.00%

*Negotiable
 Fees are shown excluding VAT

Total expense ratio (TER)*

The TERs for this fund are listed below.

	A Class	B Class
TER	1.14%	1.13%

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: Interest distribution 2.81 cpu
 B Class: Interest distribution 2.81 cpu

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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). 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.

Out of the Ordinary®

 **Investec**
 Asset Management

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Market review

In May the markets were spooked by the possibility of sovereign default by the one of the PIIGS (Portugal, Ireland, Italy, Greece and Spain). The ensuing risk aversion led to a sharp sell-off in the euro and other risky assets. Governments in Europe responded by promising to cut deficits, which would further jeopardise the recovery. The local bond market sold off on the back of the softer currency and weak emerging markets in general, but by the end of the month bonds had bounced off their worst levels. Over the quarter, longer-dated bonds underperformed cash, while shorter-dated bonds fared better, matching cash returns.

The All Bond Index returned 1.1% over the quarter, while cash gained 1.7%. Listed property rose 0.6% over this period. Year to date, listed property remains the best performing asset class (10.6%).

Portfolio review

The portfolio's returns over the second quarter were ahead of the All Bond Index, but lagged cash. Economic data released at the beginning of the quarter pointed to a strong recovery, with the Purchasing Managers Index well above 50 and vehicle sales growing at a +30% rate on a year-on-year basis. However, as time passed activity data started to moderate. Credit growth has stabilised but remains relatively weak, raising concerns about the sustainability of the recovery. The South African Reserve Bank kept interest rates at record lows, signalling that it is more concerned about the strength of economic growth than any upside risk to inflation posed by wages or administered prices.

Fundamentals for the bond market remain sound. Inflation is surprising on the downside and the fiscal picture is improving with expenditure coming in below budget. The release of the South African Reserve Bank's Quarterly Bulletin revealed a strong bounce in household consumption, underpinned by robust real income growth. Fixed investment was weak, but the economy is forecast to grow by around 3.2%.

Portfolio activity

The market has largely been driven by foreign investors as they must invest the capital flowing into dedicated local emerging market debt funds. However, the wave of buying has not been without its hiccups as sentiment and risk appetite have varied greatly. During the quarter we increased the portfolio's exposure to bank credit and in particular to bank floating rate notes.

Portfolio positioning

The theme for the bond market remains unchanged; rates will stay lower for longer. Not only are local fundamentals supportive, but the shaky fiscal position of developed markets is resulting in large flows into emerging market assets. Yields on South African bonds stand out as being particularly high when compared to other emerging markets of a similar credit rating. This should help South Africa attract its fair share of portfolio flows.

Corporate bond yields have compressed significantly relative to government bonds, but still offer attractive returns. We will maintain our investments in these assets for now. The portfolio is conservatively positioned owing to its capital preservation bias. We think bonds will provide a reasonable return owing to their yield advantage over cash.