



# Investec Worldwide Equity Feeder Fund

As at 30 June 2010

## Investment objective

The Investec Worldwide Equity Feeder Fund's primary objective is to grow capital over the long term. The fund aims to outperform the MSCI World Index, measured over three year periods.

## Strategy

This rand-denominated fund invests in shares listed worldwide. Exposure to international equities is obtained by investing directly into our top performing Investec GSF Global Equity Fund. The majority of the fund's investments are in developed markets, such as the United States, Europe, UK and Asia. The focus is on individual stock picking. The investment team uses Investec's proprietary 4Factor™ process to assist in the screening and selection of companies. The emphasis is on valuation, strategy, earnings dynamics and technical analysis.

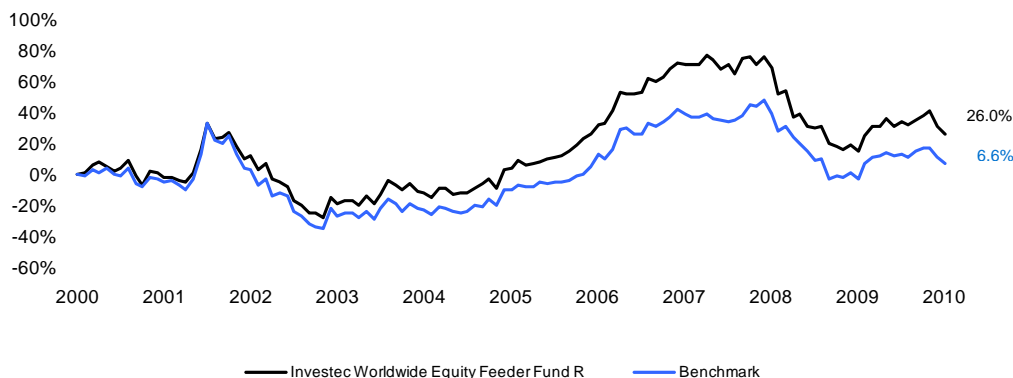
## Fund features

- The fund invests directly into our top performing Investec GSF Global Equity Fund
- Flexible investment style with exposure to large and mid cap stocks
- Uses Investec's proprietary 4Factor™ process to assist in the screening and selection of companies
- The majority of this equity fund's investments are in developed markets, such as the United States, Europe, UK and Asia

## 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 Worldwide Equity Feeder Fund	9.3%	-26.4%	20.8%	26.0%	294.8%	Investec Worldwide Equity Feeder Fund	9.3%	-9.7%	3.9%	2.3%	9.4%
Sector	9.2%	-26.5%	12.5%	2.0%	219.3%	Sector	9.2%	-9.8%	2.4%	0.2%	7.9%
Benchmark	10.0%	-23.5%	18.3%	6.6%	348.3%	Benchmark	10.0%	-8.5%	3.4%	0.6%	10.5%

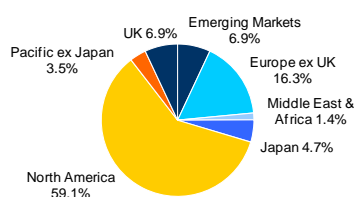
## 10 Year cumulative returns



Source: Morningstar, NAV-NAV, Gross Income Reinvested. Returns are shown in ZAR

## Portfolio characteristics

### Geographic allocation



### Top 10 holdings

Bank of America Corp.  
Occidental Petroleum.  
Nestle SA  
Microsoft Corp.  
JP Morgan Chase & Co.  
Chevron Corp.  
Hewlett-Packard Co.  
Banco Bilbao Vizcaya  
Argentaria SA  
Pepsi Co.

### Three year risk statistics

	Fund
Volatility (Standard deviation) <sup>1</sup>	14.6%
Sharpe Ratio <sup>2</sup>	-1.33
Information Ratio <sup>3</sup>	-0.08

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

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

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

## Risk profile



## Key Facts

**Portfolio manager:** Global 4 Factor Team  
**Launch date:** 1 March 1995  
**Sector:** Foreign EQ General  
**Size of fund:** R 1.5 billion  
**Benchmark:** MSCI World Index (ZAR)  
**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%
Annual management fee	1.75%	1.75%

\*Negotiable \*\*Effective 1 July 2009  
Fees shown are excluding VAT

## Total expense ratio (TER)\*

The TERs for this fund are listed below.

	A Class	B Class
TER	2.19%	2.17%

TERs shown are including VAT

## Income distribution

### Income distribution dates

March & September

## Contact details

**Investec Fund Managers**  
36 Hans Strijdom Avenue  
Foreshore  
Cape Town  
8001  
South Africa

Telephone **0860 500 100**

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

### Trustees

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

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](http://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

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. (All returns are quoted in US dollars).

## Portfolio review

During the second quarter of 2010, the Investec Worldwide Equity Feeder Fund underperformed its benchmark in rand terms. The increasing uncertainty in the outlook for the economy impacted commodity prices, affecting our mining shares. Stock selection in technology hardware also detracted from performance, partly due to our underweight position in Apple. Good equity selection in oil and gas helped, as we had no direct exposure to BP's problems in the Gulf of Mexico. Our overweight position in engineering and machinery was also beneficial as earnings have been growing along with global industrial production.

The portfolio maintains its overweight position in a number of niche retailing stocks, which we believe have good brands in the US and attractive international growth prospects. The portfolio is also overweight semiconductor manufacturers, where demand trends are strong and concerns about inventories appear to be overdone. The most underweight sector in the portfolio is electricity where returns and valuations are poor.

## Portfolio positioning

The events of the past quarter have answered the question as to whether or not there is value in global equities. The combination of a falling market and better-than-expected earnings reports for the first quarter of the year has seen a major contraction in all the primary valuation ratios utilised by investors. Our investable universe contains a significant number of quality stocks which offer dividend yields well in excess of their local bond markets.

In essence, the market is currently saying that dividend growth is likely to turn negative as the economy goes into a major recession or that the world is about to undergo a prolonged deflationary period. Although both outcomes are a possibility, the evidence we see on the ground is of a positive evolution of earnings and strong balance sheets. There is also a rekindling of stock repurchases by companies which are of the opinion that their defensive capital positions are hindering their cash flow return on investment. Missing as yet has been a full-scale return of merger and acquisition activity, but we would not be surprised to see some opportunistic deals being consummated over the next three months.

Such is the scale of pessimism that it is hard to envisage the broad macroeconomic demise that the market feels is imminent. The news flow remains relentlessly negative at a macroeconomic/political level, but it is still overwhelmingly positive in the microeconomic/ corporate space. While we would agree with the doomsayers that the market is likely to respond before the evidence is available on the ground, we would also have to add that it is very rare to see a major bear market develop from a point of historically low valuation and an absence of risk appetite. However, we cannot argue with the current poor technical momentum.

So is the value in the market an illusion? The pessimists are pointing to a disappearance of the earnings in the valuation ratios. In the absence of earnings, we suggest attention should be paid to book values and enterprise value to sales. It is true that these measures do not look as depressed as earnings-based valuation methods, but they do demonstrate significant discounts to longer-term averages as well. Despite very weak momentum we see strong, if not compelling, valuation matrices across a range of sectors and geographies at this point.

Our bottom-up, evidence-based, methodology continues to point us towards North America and emerging markets. We believe the relative value case for the latter has been eroded somewhat, but earnings revisions and technical momentum remain strong. Meanwhile, quality, good relative momentum and revisions are still positive metrics for the US market.

On a sector basis, technology and services stand out, with US retailers and household goods companies very prominent in this area. The relative and perhaps surprising strength of the US consumer has been particularly responsible for large upward revisions to earnings expectations. Many consumer-facing companies had undergone major retrenchment, and better-than-anticipated top line growth has translated into significant margin improvement for these companies.

We believe financials appear to offer the strongest relative value case. However, momentum, revisions and quality all remain poor in this sector as the marketplace worries about new legislation and taxes. Although most of the sector has pointed towards a peak in bad debts in the second quarter, the uncertainty over future capital requirements and the returns that can be earned on this capital has kept investors on the sidelines.

In summary, value abounds, but sentiment is poor. With risk aversion so high we wonder whether there really will be much more selling.