Worldwide Equity Feeder Fund

As at 31 March 2011

Market review

Equity markets continued to advance over the quarter, with the MSCI All Countries World Index returning 4.4% in dollar terms. The MSCI Emerging Markets Free Index returned 2.1% and the MSCI Asia ex Japan Index 1.2%, both in US dollars. Smaller companies performed broadly in line with the major indices; the HSBC Index returned 4.8% in US dollars.

Forecasts for global economic growth have been trimmed, not least owing to short-term downgrades in Japan. The economic data, however, has been generally positive, especially in the US. Inflation data has been disappointing, due to rising commodity prices, but there is little evidence of this feeding through into core rates. Forecasts for the current year have been increased, but there is no assumption that price pressures will reverse in 2012. The European Central Bank has signalled an imminent rise in interest rates, the Bank of England is likely to follow and even the US Federal Reserve is indicating policy tightening with a further phase of quantitative easing unlikely.

Portfolio review

The Investec Worldwide Equity Feeder Fund had a good quarter, helped by excellent stock selection across the majority of sectors with only financials, and telecoms & utilities detracting from value. The services sector delivered the strongest contribution overall, with a number of consumer discretionary stocks performing well. Within resources, good stock selection in chemicals and mining, where we had exposure to specific specialist chemicals manufacturers and iron ore producers respectively, helped. In terms of those sectors that lagged, exposure to insurance stocks, following several earthquake-related natural disasters in the Pacific, detracted from value. A number of stocks in the telecoms sector, both owned and not owned, offset some of the positive performance generated overall.

Portfolio positioning

We believe equity markets are attractively valued on a historic basis and that the liquidity in financial markets is driving a new mergers and acquisition cycle as well as increasing corporate cash flows, share buy-backs and dividend levels. Input prices, particularly energy, are being absorbed to a greater extent, but companies that have the ability to raise prices and maintain margins and cash flows are likely to be the ongoing focus of investors' attention in 2011. Our assessment indicates a solid basis of fundamental analysis of individual company prospects that suggests we are in a more normalised capital markets environment than we have seen for some time. We anticipate that this can be sustained – barring abnormal geopolitical or economic events.

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Asset Management