

Investec Asset Management

Sub-fund of Guernsey domiciled open-end investment company

Report Issued: September 2006

Peer Group:

Resources

Fund Manager/Adviser:

Tim Guinness (since November 1998)

Location:

London

Launch Date: January 1985

Fund Size (July 2006):

US\$1.5bn

Group Contact No:

+44 20 7597 2300

Website:

www.investecfunds.com

S&P ID Number: OS039701

Underlying share class:

A

For additional details see Fund

Charges and Group Profile

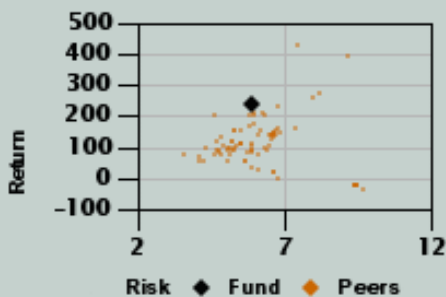
information.



INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

RISK RETURN (STD DEVIATION) OVER 5 YEARS



All statistical data on this report has been run to 30/06/2006 on NAV to NAV basis, with gross income reinvested, in US Dollars.

STANDARD & POOR'S OPINION (JULY 2006)

Tim Guinness has managed this fund since 1985 - first at Investec and since 2003 through his own company Guinness Asset Management, to which the fund is now subcontracted.

Although the team manage funds in Asia and an index + technology fund, energy is Guinness' area of particular expertise, and the whole team supports this product. Guinness brings to it 35 years of investment experience and a disciplined investment process, which makes the best use of a relatively junior team. He has set up a similar screening system to that employed at Investec, harnessing HOLT, IBES and price momentum factors to focus further research on the most promising stocks. Despite its huge expansion in FUM (now \$1.5bn) the fund is still essentially invested in 30+ equally weighted positions, the smallest 10 holdings at our snapshot, accounting for only 2.2%.

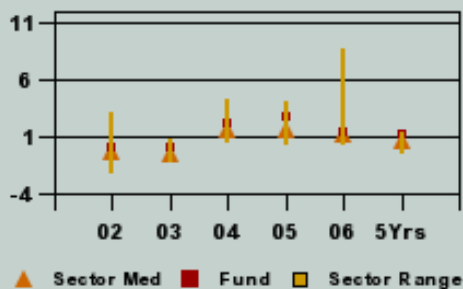
The fund's track record is exceptionally strong, especially when measured against its direct peer group of energy funds. Stripping out the broader natural resources funds, Investec Global Energy is the top-performing energy fund over its lifetime, and has produced top-decile performance in five out of seven calendar years. Its maximum drawdown (in calendar 2001) was -4.1% against -14.4 for the median fund.

As assets increase, Guinness is looking to further expand the team, partly to support his son Edward in running his hedge fund and a new energy product. This fund has been well served by the existing framework. Guinness' experience and marked success enable the fund to move up a rating band to AAA status.

3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-10.6
Volatility	Medium	21.4
Correlation	High	0.9
Beta	High	1.1

SHARPE RATIO VS PEER GROUP



FACT FILE

Group: Investec Asset Management (IAM) is the investment arm of Investec Group, the largest independent investment and private banking group in South Africa. The Investec Group was listed in Johannesburg in 1986 and in London in July 2002.

Team: The fund is subcontracted to Guinness Asset Management, where Tim Guinness has a team of three, including his son Edward, who runs an alternative energy fund. He plans to hire three further analysts.

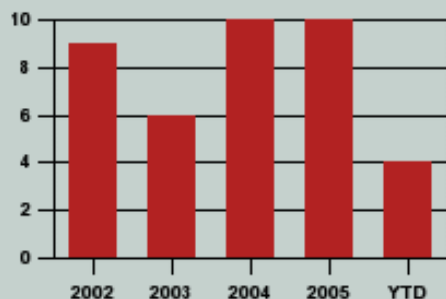
Fund Manager: Tim Guinness has over 35 years' investment experience. He was CEO of Guinness

Flight and then joint chairman of Investec Asset Management. He has focused on managing energy funds since 1998.

Style: The fund holds a core of around 30 equally weighted holdings with a short tail of smaller holdings. Selection reflects Guinness' strategic view of the subsectors and is mainly in large-cap stocks.

Performance: Over the five years to 30/06/2006, the fund has returned 240.7%, compared with 103.2% for the sector median and 139.2% for the index, ranking 5/83.

CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

FUND MANAGER & TEAM

Tim Guinness formed Guinness Asset Management, the sub-adviser to this fund, in June 2003. With its US based affiliate Guinness Atkinson, it manages \$2bn in energy portfolios, a four-fold increase over the past 12 months.

Guinness Asset Management has a team comprising Edmund Harriss, Guinness' deputy (and manager for the Asian funds) and four junior analysts, hired within the past two years, and is in the process of hiring three more. In addition, Tim Guinness' son Edward has also joined the team to run an alternative energy fund. While all members are involved in energy research, they also support the firm's Asian and technology products.

Tim Guinness - engineering (Cambridge University), management science (Sloan School, MIT), began his career at Barings in the 1970s, moving to Guinness Mahon 1982 where he led the investment team. He formed Guinness Flight, with Howard Flight in 1987 and was CEO until the merger with Investec, then joint chairman of Investec Asset Management. He formed Guinness Asset Management in 2003.

PORTFOLIO CHARACTERISTICS

No. of holdings	43
Turnover ratio (%)	N/A
% in top 10	36

TOP 10 HOLDINGS (01/07/06)

	%
HESS	3.8
Pioneer Natural Resources	3.8
OPTI Canada	3.7
Tesoro	3.7
Marathon Oil	3.6
Plains Exploration & Production	3.6
CDN Oil Sands Trust	3.5
ChevronTexaco	3.5
EnCana	3.5
Occidental Pete	3.4

* In top 10 holdings a year ago

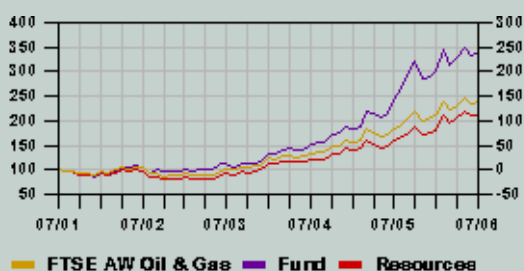
ALLOCATION BREAKDOWN (01/07/06)

	Fund %
E&P/Oil Sands	16
E&P/Refining	7
Emerging markets	15
Equipment & Services	12
Exploration & Production	17
Intergrated	20
Refining	7
Other	6
Cash	-

PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	206.6%	240.7%
Standard & Poor's Peer Median	131.5%	103.2%
Index**	138.7%	139.2%
Fund Rank	4/116	5/83
Standard Deviation	21.4	-
Relative Standard Deviation	1.0	-
Volatility Adjusted Ranking	7/116	-

CUMULATIVE PERFORMANCE



INVESTMENT STRATEGY FUND - GLOBAL ENERGY FUND

Peer Group: Resources



MANAGEMENT STYLE

• Guinness' investment approach combines strategic shifts between subsectors with a high conviction approach to stock selection, which results in a focused portfolio of 25-35 equally weighted names. The emphasis is on large- and mid-cap stocks.

• The Guinness team uses its own four factor quantitative screen to concentrate further fundamental analysis on the most promising stocks. The factors cover quality (return on investment), valuation (discounted cash flow using HOLT), earnings trends and revisions (IBES) and price momentum over three, six and 12 months. This is similar to

Investec's SIGMA ranking system with which output is compared.

• The factors are equally weighted and each stock is ranked on each parameter to give an overall ranking. The team takes the top decile for further individual analysis, looking to refine the four metrics with reference to individual conditions - a company's ability to grow its asset base, valuation relative to industry and history, the number of estimates in IBES, and their dispersion.

• The fund is typically near fully invested. To date, derivatives have not been used.

PORTFOLIO REVIEW

The portfolio has expanded from 32 to 43 stocks over 12 months as the fund nearly quadrupled in size. However, ten of these are minor holdings and essentially the portfolio is invested in 33 companies with positions of 1% to 4%. All but three holdings are in companies above \$3bn in size. Turnover has been steady at an estimated 50%.

Guinness has adjusted the subsector breakdown over the past 12 months, largely on a valuation basis in H2 2004. He increased exposure to E&P and oil sands, at the

expense of the integrated oil companies and oil service companies. He also increased exposure to gas. By the end of the year, however, he took profits, reducing E&P to 17% and oil sands to 16% in order to finance a 12% position in oil services and retain 15% in emerging markets. Alternative energy does not feature in this portfolio.

Geographically, the fund has 55% in USA, 21% in Canada, 9% in Europe (including the UK) and 15% in emerging markets.

PERFORMANCE ANALYSIS (SEPTEMBER 2006)

Although the fund has been below par year to date, its year-on-year performance has been exceptionally strong. Measurement within the S&P Resources sector (as shown in the statistics in this report) understates the case. Within the peer group of pure energy products (ie, stripping out the broader based resource products), this fund ranks first in three out of seven calendar years and over the entire period since launch. Performance has been top decile in five years of the seven and has always been above average. The worst

drawdown for the fund was -4.1% in 2001, which compares with -14.4 for the median fund that year.

Attribution is due both to Guinness' strategic overview, paying attention both to industry and market shifts, and to stock selection. In 2005, for example, the emphasis on E&P and oil sands in preference to integrated oils was highly successful as was the selection of Canadian Natural Resources.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2002		2003		2004		2005		YTD 30/06/2006	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	6.7	10/89	32.4	48/111	41.2	6/120	62.3	3/124	13.1	88/125
Index**	-3.0		34.3		26.4		33.9		13.6	
Median	-5.8		30.4		25.6		27.9		15.3	

** FTSE AW Oil & Gas (Source: FTSE International)

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