

#### Peer Group:

Cautious Managed

#### Fund Manager/Adviser:

Alastair Mundy (since launch)

#### Location:

London

#### Launch Date:

April 2004

#### Fund Size (December 2006):

£64m

#### Group Contact No:

+44 20 7597 1800

#### Website:

www.investecfunds.com

#### S&P ID Number:

SB297325

#### Share Class screened:

Acc  
Details of fund charges and other share classes can be found on www.funds-sp.com.

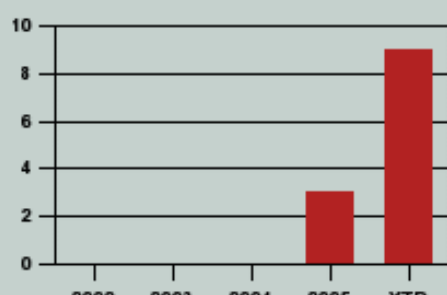


### INVESTMENT STYLE

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

AS THE FUND IS UNDER THREE YEARS OLD THERE IS INSUFFICIENT PERFORMANCE DATA FOR RISK/RETURN ANALYSIS.

### 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.

All statistical data on this report has been run to 30/11/2006 on NAV to NAV basis, with gross income reinvested, in UK Sterling.

### STANDARD & POOR'S OPINION (JANUARY 2007)

This fund has been run since launch by Alastair Mundy, a well respected manager with experience on both bond and equity markets. It is a distribution fund and must invest at least 60% of the assets in fixed income securities. Although it is not managed to achieve a predetermined yield, Mundy seeks to provide a yield comparable to corporate bond funds and the UK base rate.

Mundy has shown skill in setting the asset allocation and managing the equity portion. He also determines duration calls in the bond portion where stock selection is split between Anna Lees-Jones and Harsha Patel on investment grade and Chris O'Hare and Kieron Roane on high yield. The equity portion is managed with the support of five dedicated analysts as a slightly more concentrated version of Mundy's AA rated-UK Value fund. It is run in a contrarian

fashion and takes significant bets relative to the index within a disciplined and risk-aware framework.

The high-yield portion is managed in line with the European High Income Bond fund, rated A, and is focused on bottom-up security selection.

After performing well at launch, there was a period of relative underperformance in H2 2005 and Q1 2006. This was partly due to the structure of the fund but exacerbated by strong performance of resource stocks, which do not fit Mundy's investment criteria. Since then we have been encouraged by good performance, which came mainly from stock selection and reinforces our regard for Mundy's ability in asset allocation and stock selection. The fund easily retains its A rating.

### 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:** Alastair Mundy sets the asset allocation and manages the equity portion of the fund. He is supported by Anna Lees-Jones and Harsha Patel on investment grade bonds and Chris O'Hare on high-yield bonds.

**Fund Manager:** Alastair Mundy has three years' fixed-income experience and 15 years' equity experience, the majority of this at Commercial Union. He joined Investec in July 2000.

**Style:** The fund is managed with a minimum 60% exposure to fixed-interest stocks in order to maintain the tax benefits for ISA investors. It aims to provide a stable and growing income.

**Performance:** Since launch to 30/11/2006, the fund has returned 33.6%, compared with 28.4% for the sector median, ranking 31/87.

### FUND MANAGER & TEAM

Mundy heads the UK contrarian equity team and is responsible for equity income and value-oriented mandates totalling £2bn (of which £1.5bn is in equities). He is supported by analysts Peter Lowery, David Lynch, Mark Wynne-Jones and Celia Duncan as well as statistical analyst Jo Slater. Anna Lees-Jones and Harsha Patel implement investment grade bond selection and Chris O'Dell and Kieren Roane high yield bonds.

Alastair Mundy - actuarial science (City University), joined Commercial Union in 1988, working in fixed income before moving to UK equities in 1991 where he managed the then S&P A rated CGU Equity Income Fund. He joined Investec in July 2000.

Chris O'Hare - management studies and natural sciences (Cambridge University), joined Investec in 1995 and was appointed portfolio manager in 2004.

Anna Lees-Jones - general engineering (Cambridge University), started as an analyst at CS First Boston. Before joining Investec in 2004, she managed sterling fixed-income funds at M&G and Dresdner RCM.

## PORTFOLIO CHARACTERISTICS

No. of holdings	224
Turnover ratio (%)	17
% in top 10	14

## TOP 10 HOLDINGS (01/12/06)

	%
Kreditanstalt FUR Wi 4.357 Mar 07 11	2.5
Royal Dutch Shell	1.5
Vodafone *	1.4
BT	1.3
Unilever	1.3
BMW Japan Finance 5.75 Dec 06 07	1.2
BSkyB	1.2
GlaxoSmithKline *	1.2
Kingfisher	1.2

\* In top 10 holdings a year ago

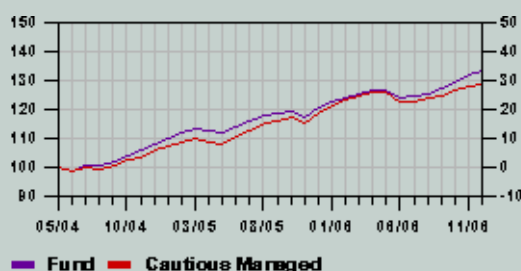
## ALLOCATION BREAKDOWN (01/12/06)

EQUITY	
North America	0
United Kingdom	39
Europe ex UK	0
Japan	0
Pacific ex Japan	0
Others	0
FIXED INTEREST	
United Kingdom	42
Others	19
CASH	0

## PERFORMANCE STATISTICS

	Launch
Fund	33.6%
Standard & Poor's Peer Median	28.4%
Fund Rank	31/87
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

## CUMULATIVE PERFORMANCE



— Fund — Cautious Managed

# INVESTEC FUNDS - MANAGED INVESTMENT FUND

Peer Group: Cautious Managed



## MANAGEMENT STYLE

- The fund targets a combination of a stable and growing income and long-term capital appreciation. In order to maintain the tax advantage, a minimum of 60% is invested in fixed-income securities, of which 20-40% can be in either investment grade or high yield issues. Mundy focuses on total return but aims to produce income comparable with corporate bond funds and UK base rate.
- The benchmark is a composite of 1/3 FTSE All Share, 1/3 Merrill Lynch Sterling Broad Market, 1/3 ML Euro Currencies High Yield Sterling hedged.
- Mundy controls both asset allocation (which is usually kept close to benchmark) and bottom up equity selection. The high

yield bond portion is focused on bottom-up credit selection. As well as sterling bonds, euro issues are bought and hedged back into sterling.

- The investment grade bonds portion is kept close to benchmark.
- Equity investment is contrarian, seeking long term value from a portfolio built bottom up. Risk controls limit sector overweights to 10% relative to the FTSE 350 and active stock weights to 4% (large and mid) and 1.5% (small). No equity positions are neutral or underweight the benchmark.
- Cash can reach 10%.

## PORTFOLIO REVIEW

Mundy's positive view on equities relative to bonds has led to an increase in the overweight to this asset class (now 39% of the fund vs. 33% last year). This is effectively close to the upper limit for equity exposure, as the manager cannot afford to breach the strict portfolio construction limits. Within the equity portion, there was a gradual shift from mid-caps up the cap-scale. Individual equities were broadly in line with Mundy's UK Value fund, but a little more concentrated and with bigger active positions, in line with the

manager's move to be less index aware. However, large-cap stocks such as Shell, BP and Astra Zeneca were all added to recently.

The bond portion still reflects a change made in Q1 2005, when high yield bonds were reduced from 40% to 20% of the total portfolio. The high yield team remain cautious in the face of tight spreads. Investment-grade bonds reflect Mundy's short duration call and is not aggressively traded.

## PERFORMANCE ANALYSIS (DECEMBER 2006)

Launched in April 2004, the fund has a short performance record. From launch to the end of 2004, performance was driven mainly by the equity portion, which benefited from good stock selection in a rising market and a number of takeovers. Exposure to high yield bonds also added value from stock selection.

return, given the structure of the fund, of 11% before fees.

In 2005, relative returns were hurt by the high bond content and the equity portion suffered due to the underweight in oil and mining, areas which do not fit Mundy's investment criteria. This resulted in underperformance of our sector median despite a good absolute

In 2006, above sector median performance came from good stock picking, which was further boosted by increasing the concentration of the equity portion. High exposure to mid-caps was beneficial and Wetherspoon and UK Coal were big contributors to performance. In the bond portion, there was a benefit from high yield exposure, which outperformed investment grade.

### DISCRETE PERFORMANCE (CALENDAR YEARS)

	2002		2003		2004		2005		YTD 30/11/2006	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/		/				
Median	-8.1		12.2		8.1		11.1	70/95	9.1	19/96
							13.3		5.8	

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