

INVESTEC
Capital Accumulator (OEIC)



OBSR Fund Rating
AA

Key Information

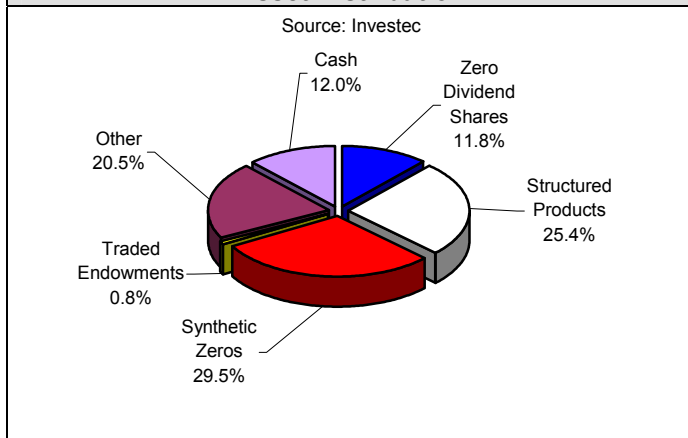
Launch Date	19 July 1999	
Fund Size	£154.8m	
Type of Shares Available	Accumulation	
Distribution Dates	n/a	
Yield	n/a	
ISA	Yes	
PEP Transfer	Yes	
Standard Fund Management Charges	Initial	4.50%
	Annual	1.25%

Classification

Sector	UK Zeros
Benchmark/Index	S&P Split Cap Zeros
Management/Investment Style	
Fund Manager	Alastair Mundy (August 2000)

The fund offers investors potential long-term capital growth with particular emphasis on minimising downside capital risk. A specialist fund, it invests in a managed portfolio of zero dividend preference shares (ZDPs) issued by split-capital investment trusts, synthetic zeros, structured products and other securities.

Asset Distribution



Investment Objective & Methodology

The fund aims to produce steady capital growth of between 6% and 8% per annum over the long term by investing primarily in a portfolio of equities and related derivatives. The fund will seek to achieve its objectives by holding investments which in the opinion of the manager, in aggregate, and particularly over the long term, offer a level of risk lower than that of the FTSE All-Share Index. Investec does not compare the performance of this fund against the IMA sector or a benchmark. Its aim is to try to beat returns from the building society while maintaining fairly low volatility.

The fund is managed by Alastair Mundy. Jo Slater is the assistant fund manager. They are able to draw on stock ideas from the contrarian UK equity team headed by Alastair Mundy.

The fund aims to generate an absolute capital return at as low risk as possible, giving up some of the potential upside returns in exchange for downside capital protection. The fund was originally a portfolio of zero dividend preference shares (zeros) issued by split-capital investment trusts. However, due to declining issuance of ZDPs and the subsequent decline in the size of the market, the fund also invests in synthetic zeros structured products and other securities. The manager looks for quality zeros by avoiding trusts with structurally weaker balance sheets and aggressive accounting policies, high levels of bank debt, those employing barbell investment approaches and trusts that invest in other splits (cross holdings). The manager is looking for zeros that, at current market prices, offer relative redemption yields relative to their potential for repaying their final obligations. Increasingly, the fund invests in what the managers call Zero Equivalent Balanced Return Assets (ZEBRAS), which are synthetic zeros. These replicate as closely as possible the risk profile of a zero by using derivatives to hedge the underlying portfolio of securities exposed to market risk. The securities selected are typically ideas drawn from the contrarian equity team at Investec.

These investments take the form of specific agreements with investment banks where, in exchange for increased downside protection, some upside potential is sacrificed. A synthetic zero is also highly liquid i.e. the manager can deal on demand and the asset is fairly transparent in terms of the securities held. The portfolio also includes structured products, designed for the market by investment banks. These are held for their similar return characteristics but have a slightly higher risk profile. They typically offer returns that are dependent upon a market indicator or a basket of securities and are overlaid with hedging instruments to limit downside risk.

There are no set risk controls although the manager attempts to achieve diversity through differing underlying asset classes and approaches and not through the number of holdings alone. Potential investors should be aware of the changing dynamics within this fund as split-cap trusts diminish and replacing products such as synthetics become more prominent.

The manager also commissions an independent risk management company to assess the sensitivity of the portfolio to changes in market levels, volatility and interest rates.

Top Ten Holdings

	%
Ruffer Investment	4.9
Harewood Enhanced Global Asset	4.5
Bnp Absolute Progression	4.1
European Equity Tranche Income	3.7
Elders Investment 16A Cap Acc II Shares	3.4
Utilico Investment Trust	2.9
Alternative Assets Opportunities	2.7
Elders Investment 15C Euro Cap Prot	2.7
The Cayenne Trust	2.6
Speymill Deutsche	2.6
Concentration (Top 10)	34.1
Total Number of Holdings	93

Source: Investec

www.obsrfundratings.co.uk

Data as at 30 June 2007
Last Updated July 2007