

Investec High Income Fund Namibia

As at 30 June 2010

Investment objective

The Investec High Income Fund Namibia aims to maximise income and grow capital. The fund targets returns in excess of the BEASSA 1-3 year All Bond Index, measured over one year periods.

Strategy

The fund invests in high-yielding Namibian and South African fixed-income assets, including government and corporate bonds, fixed deposits and money market instruments. The fund is actively managed and the maximum average duration of assets is two years.

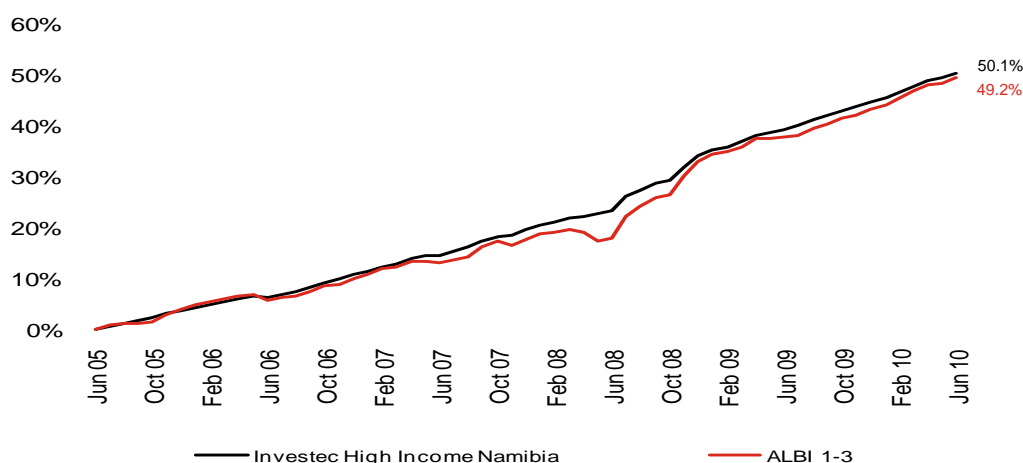
Fund features

- A specialist fixed-income fund, which can form part of a larger portfolio
- The focus is on reducing volatility of returns and preserving capital through active management
- Lower volatility than a traditional bond fund
- Ideal vehicle for investors requiring income

Performance

Cumulative returns	1 year	3 years	5 years	Since incep.	Annualised returns	1 year	3 years	5 years	Since incep.
High Income Fund Namibia	8.0%	31.0%	50.1%	162.4%	High Income Fund Namibia	8.0%	9.4%	8.5%	10.0%
Benchmark	8.4%	32.2%	49.2%	167.7%	Benchmark	8.4%	9.8%	8.3%	10.3%

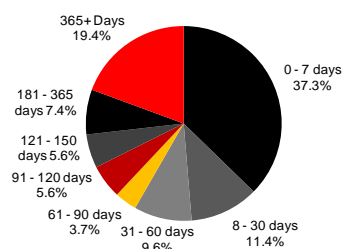
5 Year cumulative returns



Source: Investec Asset Management, Morningstar's Micropal, NAV-NAV, Gross Income Reinvested. Returns are shown in ZAR.

Portfolio characteristics

Duration distribution



Type of holdings

Type of holdings	% of fund
Financials	29.1%
Government	27.4%
Additional	19.5%
Consumer Goods	2.8%
Industrials	1.8%
Parastatals	0.4%

Three year risk statistics

Volatility (Standard deviation) ¹	1.4%
Sharpe Ratio ²	-0.52

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

² Sharpe ratio: Measures the risk adjusted return of a unit trust fund compared to the risk-free rate of return (money market return).

Risk profile



Key Facts

Portfolio manager: Vivienne Taberer
Launch date: 1 May 2000
Sector: Fixed Income Namibia/SA
Size of fund: N\$ 499 million
Benchmark: All Bond Index (ALBI) 1-3 years
Minimum investment:
 N\$ 5 000 lump sum or N\$ 500 monthly debit order

Fees

Initial fund fee	0.5%
Annual management fee	1.0%

Total expense ratio (TER)*

The TER for this fund is listed below.

TER	1.04%
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Income distribution

Income distribution dates

March, June, September, December

Previous income distribution for 3 months to 30 June 2010

A Class: Interest distribution 1.96 cpa
 Interest distributions are shown gross of Namibian withholding tax, which applies to certain investors.

Contact details

Investec Asset Management

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 Heritage Square Building
 100 Robert Mugabe Avenue
 Windhoek
 Namibia

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To find out more about this and other Investec Asset Management funds, visit www.investecassetmanagement.com

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 Standard Bank
 P O Box 3327
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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. 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 15h00 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 TER shows the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees relating to the management of the portfolio. 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. 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 copy of our performance fees FAQ is available at www.investecassetmanagement.com. Investec Fund Managers Namibia Limited, the unit trust manager, is a member of the Association of Unit Trusts Namibia.

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Investec High Income Fund Namibia

As at 30 June 2010

Market review

Policy makers find themselves at a cross road: immediate implementation of stringent austerity measures to address the monetary overhang versus continued support to consumers and companies until the recovery is more entrenched. The major economic regions have adopted vastly different approaches. The US favours further support until there is sufficient evidence of a sustainable recovery. The UK and Germany have adopted a policy of economic austerity. The Chinese, having fuelled their economy with cheap credit over the past few quarters, are now becoming somewhat more cautious. The prospect of a substantially lower growth trajectory in the second half of the year seems increasingly likely.

We have noted before that the recovery in the mining sector will be the anchor for the expected 4% GDP growth this year, the diamond industry's latest data indicated that it is starting to sparkle again with production for the first 5 months of 2010 totalling 580,000 carats, which is more than half of 2009 production.

The Namibian Stock Exchange (NSX) Overall Index was down 10.6% over the quarter. The resources and financials stocks were down 15.4% and 9.7% respectively for the quarter, although Sanlam managed to have a positive 3 month return of 10.2%. The NSX Local Index was up 1.8% for the quarter.

Both bonds and cash had positive returns for the quarter, with the IJG Bond Index being up 1.9% and the IJG Money Market Index (including NCD's) up 1.8%.

Portfolio review

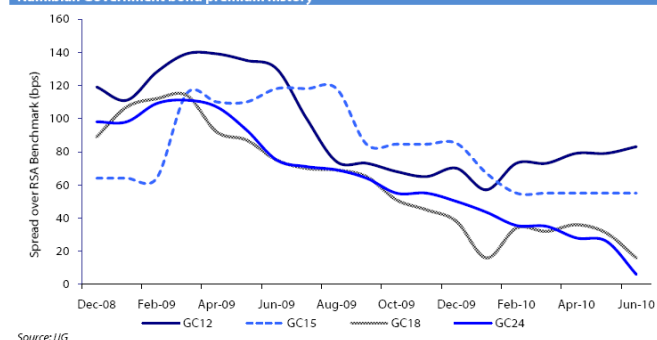
In May the markets were spooked by the possibility of sovereign default by the one of the PIIGS (Portugal, Ireland, Italy, Greece & Spain). The ensuing risk aversion saw a sharp selloff in the euro and other risky assets.

Governments in Europe responded by promising to cut deficits, which would further jeopardised the recovery.

Namibian bonds were not immune and sold off on the back of the weaker currency and weak emerging markets in general. The bond market did however close off their worst levels. Over the quarter longer dated bonds underperformed cash, while shorter dated bonds fared better by matching cash returns. Your portfolio outperformed its benchmark over the quarter.

We continue to underweight the 1-3 year area of the bond curve in South Africa, favouring the 3-7 year maturities and this continued to add to outperformance for the quarter. Small positions in longer dated Namibian bonds helped performance as spreads over South African bonds in the long end compressed and Namibian bonds outperformed. The higher yield of the credit portion of the portfolio also added to the overall performance of the fund. Money market yields edged lower through the quarter, and the money market curves flattened a little. Funding spreads in both South Africa and Namibia have narrowed slightly over the period. It still offers an attractive pick-up over 3 month Jibar and continues to add to performance.

Namibian Government bond premium history



Portfolio activity

In South Africa we maintained our small overweight overall duration position in the shorter end of the curve. In Namibia, our small position in the long end of the curve helped performance.

Although constrained by credit limits, we continue to expect credit to outperform and look to maximise the credit spread on the portfolio. We purchased some medium dated high quality floating rate notes.

Portfolio positioning

Economic data released at the beginning of the quarter pointed to a strong recovery, with the Purchasing Managers Index well above 50 and vehicle sales growing at a +30% rate on a year-on-year basis. However, as time passed activity data started to moderate. Credit growth has stabilised but remains relatively weak, raising concerns about the sustainability of the recovery. The South African Reserve Bank kept interest rates at record lows, signalling that it is more concerned about the strength of economic growth than any upside risk to inflation posed by wages or administered prices.

Fundamentals for the bond market remain sound. Inflation is surprising on the downside and the fiscal picture is improving with expenditure coming in below budget. The release of the South African Reserve Bank's Quarterly Bulletin revealed a strong bounce in household consumption, underpinned by robust real income growth. Fixed investment was weak, but the economy is forecast to grow by around 3.2%.

The theme for the bond market remains unchanged; rates will stay lower for longer. Not only are local fundamentals supportive, but the shaky fiscal position of developed markets is resulting in large flows into emerging market assets. Yields on South African bonds stand out as being particularly high when compared to other emerging markets of a similar credit rating.

The Namibian market is going to have to digest more bond supply than it has seen in recent years. The persistent compression in the yield spread over the South African curve is likely to reverse and spreads may widen somewhat over time. This is not evident yet as the government has preferred to drawdown on its large cash balances.

We will continue to keep the portfolio relatively neutrally positioned while looking to benefit from movements in the bond yield curve and selectively increase our credit holdings to take advantage of the wide credit spreads on offer.



Investec Managed Fund Namibia

As at 30 June 2010

Investment objective

The Investec Managed Fund Namibia aims to provide investors with stable growth of capital over the long term. The objective is to achieve returns well in excess of the fund's peer group average, measured over three to five year periods.

Strategy

The fund invests in Namibian and South African equity, bonds and money market instruments, as well as international equity and fixed interest investments. Regulations currently require the fund to invest a minimum of 35% in Namibia and a maximum of 30% internationally, with the balance in South Africa. Equity exposure is currently limited to 65% of the fund (85% with listed property).

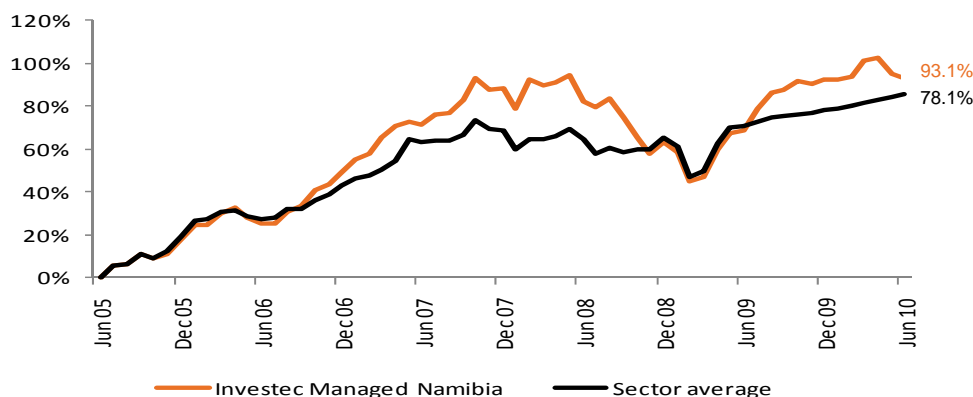
Fund features

- Consistent top quartile returns
- A balanced fund for investors who don't want to actively manage their own asset allocation
- Flexible investment style and stock selection process
- Compliant with Regulation 28 of the Pension Funds Act, but does not currently hold unlisted equity investments

Performance

Annualised returns	1 year	3 years	5 years	10 years	Risk figures (3 years)	Standard deviation ¹	Sharpe ratio ²
Investec Managed Fund Namibia	14.5%	4.1%	14.1%	14.3%		13.6%	-0.44
Peer group average	14.9%	2.0%	12.2%	13.4%			

5 Year cumulative returns



*The Peer Group currently consists of all funds in the Morningstar Asset Allocation Nam/SA sectors.

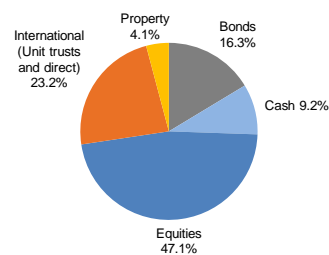
Source: Morningstar's Micropal, Bid-Bid, Gross Income Reinvested. Returns are shown in ZAR

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

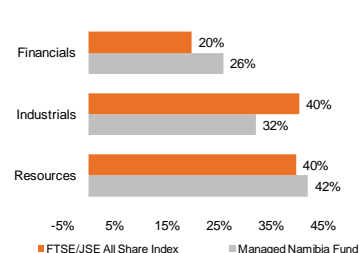
²Sharpe Ratio: Measures the risk adjusted return of a unit trust fund compared to the risk-free rate of return (money market return).

Portfolio characteristics

Effective asset allocation



Sector allocation



Top 10 holdings

Firststrand Bank Ltd (incl RMB)
Anglo American
Old Mutual
Sasol
Clicks Group
SABMiller
Investec
Richemont SA
Gold Fields
Standard Bank Group

Risk profile



Key Facts

Portfolio manager: James Hatuikulipi and Chris Freund

Launch date: 1 May 1997

Sector: Asset Allocation Namibia/SA

Size of fund: N\$ 579 million

Benchmark: Peer Group Average*

Minimum investment

N\$ 5 000 lump sum or N\$ 500 monthly debit order

Fees

Initial fund fee 5%
Annual management fee 1%

Total expense ratio (TER)*

The TER for this fund is listed below.

TER 1.28%

Income distribution

Income distribution dates

March & September

Previous income distribution for 6 months to 31 March 2010

R Class: Net dividend 0.96 cpu

R Class: Interest distribution 2.19 cpu

Dividend distributions are shown net of foreign withholding taxes. Interest distributions are shown gross of Namibian withholding tax, which applies to certain investors.

Contact details

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Investec Managed Fund Namibia

As at 30 June 2010

Market review

The past quarter 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 consensus view of a V-shaped economic recovery was cast in doubt as select companies, but mostly countries and entire regions confronted unsustainable funding requirements. Investors also demanded a more concerted effort to rein in fiscal spending. The lack of traction in economic activity to date has not only delayed any normalisation of monetary policy, but has renewed calls for further stimulus packages in the form of direct asset purchases or further liquidity infusions. The Greek bailout packages announced in May seemed to have silenced some of the bears, though investors remain highly sceptical that these measures will have addressed the debt problems conclusively. In fact, the cost of insuring against a Greek default has rocketed back to crisis levels.

Commodity prices collapsed over the quarter, with base metals down more than 20%. Gold bullion, long favoured as a safe haven in times of heightened uncertainty and increased market volatility, saw substantial support over the quarter, rising 11.6%. Developed market equity indices 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. European and UK markets were particularly weak, weighed down by the crises in Europe and the BP environmental disaster unfolding in the Gulf of Mexico. The French CAC 40 (-19.2%), German Dax 30 (-12.2%) and UK FTSE 100 (-13.8%) indices ended sharply down in US dollars. Brazilian, Russian and South African MSCI indices performed weakest amongst emerging market peers, returning -14.3%, -15.4% and -9.5% respectively over the quarter (US dollars).

The Namibian macroeconomic scene was rather muted. The Bank of Namibia opted to leave the bank rate unchanged at 7% in the absence of inflationary pressures. The inflationary trend mirrored that of South Africa and global expectations given the current output gaps and lower soft commodity prices. Namibia May inflation increased 4.7% year on year, due to deflationary prices recorded in the groups of Food and Non-Alcoholic Beverages, Hotels, Cafes and Services. On the downside electricity tariffs for bulk consumers are expected to rise by 20% a year over the next three to 5 years, according to the Electricity Control Board.

We have noted before that the recovery in the mining sector will be the anchor for the expected 4% GDP growth this year, the diamond industry's latest data indicated that it is starting to sparkle again with production for the first 5 months of 2010 totalling 580,000 carats, which is more than half of 2009 production.

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Both bonds and cash had positive returns for the quarter, with the IJG Bond Index being up 1.9% and the IJG Money Market Index (including NCD's) up 1.8%.

Portfolio review

Against a backdrop of continued uncertainty about the trajectory of global growth and significant change in monetary and fiscal policy, we maintain our more cautious view and more defensive portfolio positioning. Policy makers and advisers seem to be grappling with the need for near term adjustments to ensure long term sustainability of global growth without derailing an already fragile recovery. Chinese tightening, or possibly only some indigestion after the recent strong

period of growth, is likely to moderate demand over the next few quarters. Policy stimulus in the rest of the world is waning and some policymakers actively seeking to reign in fiscal spending – most notably the UK and Germany.

The NSX Overall Index was sold off over the quarter in line with regional and global markets. The increased volatility and uncertainty over the sustainability of the current global recovery spooked investors. The NSX Local Index bucked the trend with local counters finding favour with investors, posting a 1.8% return for the quarter. Nambrew returned a positive 7%, while Trustco Group returned a negative 20% for the quarter.

Portfolio activity

Your portfolio has seen some changes over the quarter, consistent with changes in our medium term economic outlook and recent market developments. First Rand remains the largest stock in the portfolio. Local banks, while not escaping weaker consumption and borrowing, are nevertheless seeing healthy growth in earnings on the back of lower bad debt provisions and tentative signs that the local housing market is showing signs of improvement. The portfolio's allocation to resource counters, bar Sasol, remains low. We have up-weighted Anglo American after the almost 20% fall in copper prices and recent oversold share price. Old Mutual, SABMiller and Sasol remain large holdings. We have a clear preference for higher quality earnings and companies [both local and abroad] that are not directly exposed to commodity prices. Commodity prices, which had rallied hard off their Q1 2009 lows, have been falling quite sharply. We could well see further downside if we have a substantially weaker global economy the second half of 2010. Gold, however, has been the exception. We share a positive view on gold and while it is difficult to ascribe a 'fair value' to the metal as it has little direct industrial use, we believe the macro forces are bullish for the yellow metal. We favour the listed gold sector over the physical gold ETF. The sector has lagged the rand gold price massively and provides greater upside. Goldfields is our top pick and has moved into the top 10 holdings.

Our holding of the local listed stocks remain largely unchanged. We have increased our Nambrew holding while our FNB holding has increased by around 10% from the previous quarter. A few stocks on the local index such as Nambrew and Oryx have a June year end and we expect good earnings results which we will share with you in the next quarterly report.

Portfolio positioning

Against a backdrop of an uncertain macro economy and equity valuations broadly in 'fair value territory' we believe that some risks will arise as we muddle through the early phase of the post recession period. We have therefore positioned the portfolio's equity exposure slightly below our long term strategic allocation. A deeper market correction or evidence of the recovery gaining traction would provide us with an opportunity to raise this exposure.

We remain confident about the lack of inflation pressures, both here and abroad, over the medium term. Capacity utilisation everywhere remains below levels that allow producers to exert pricing power. The draft from falling rentals and a housing market under pressure will further boost the disinflationary forces. Countries applying fiscal restraint will provide some comfort to lenders that the debt burden will be managed appropriately. We maintain the overweight exposure to bonds, both government and corporate. Investors continue to benefit from holding the latter, given the wide premiums over benchmark government bonds. Cash yields are at historical lows but provide certainty in terms of severe economic and market stress. We hold some in the portfolio but prefer to park it in higher yielding bonds and listed property.

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