

INVESTEC Capital Accumulator (OEIC)

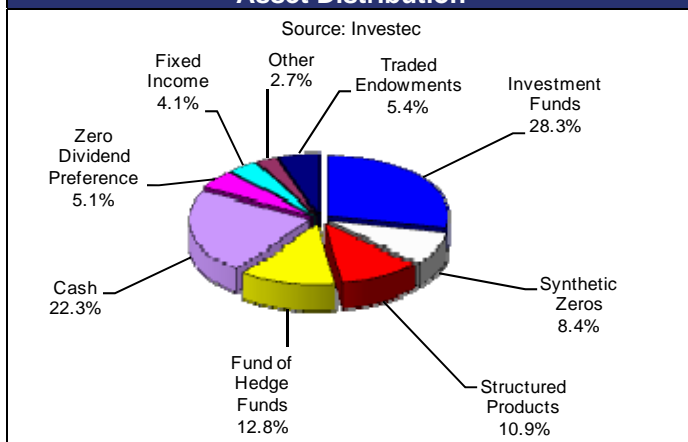
OBSR Fund Rating
A



Key Information

Launch Date	19 July 1999	
Fund Size	£80.8m	
Type of Shares Available	Accumulation	
Distribution Dates	n/a	
Historic Yield	Nil	
ISA	Yes	
ISA Transfer	Yes	
Standard Fund Management Charges	Initial	4.50%
	Annual	1.25%

Asset Distribution



Top Ten Holdings

Top Ten Holdings	%
Ruffer Investment	10.0
Acencia Debt Strategies	7.6
Investec Global Gold	4.6
UK Commercial Property	4.4
The Cayenne Trust	4.1
Investec Capital Accumulator Trust	3.9
Elders 17B Japan Capital Protected III Shares	3.7
Alternative Assets Opportunities-US Traded Life Int	3.1
Signet Global Fixed Income Strategies	2.8
ML Cert 19/1/2011	2.6
Concentration (Top 10)	46.8
Total Number of Holdings	43

Source: Investec

Classification

Sector	Specialist
OBSR Category	Specialist
Benchmark/Index	AITC Investment Trust - Split Zero Dividend

Management/Investment Style

Fund Manager	Alastair Mundy (August 2000)
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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.

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 replacement 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.

www.obsrfundratings.co.uk

Data as at 30 June 2010
Last Updated July 2010