

**INVESTEC**  
Cautious Managed (OEIC)

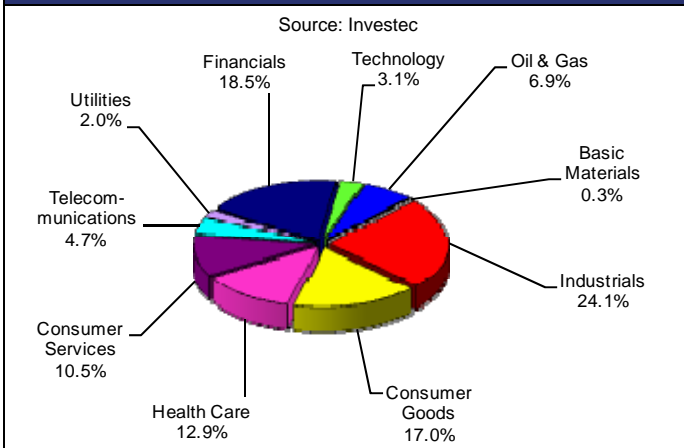
**OBSR Fund Rating**  
**AA**



**Key Information**

<b>Launch Date</b>	7 June 1993	
<b>Fund Size</b>	£1902.5m	
<b>Type of Shares Available</b>	Income & Accumulation	
<b>Distribution Dates</b>	28 February, 31 May, 31 August, 30 November	
<b>Historic Yield</b>	1.11%	
<b>ISA</b>	Yes	
<b>ISA Transfer</b>	Yes	
<b>Standard Fund Management Charges</b>	<b>Initial</b>	4.50%
	<b>Annual</b>	1.50%

**Asset Distribution**



**Top Ten Holdings**

	%
UK Treasury 2.5% IL 8/8/2013	7.6
Norway 6.5% 15/5/2013	6.8
US Treasury 1.25% 15/4/2014	4.5
Norway 5% 15/5/2015	4.1
UK Treasury 1.25% IL 22/11/2017	4.1
US Treasury 0.625% 15/4/2013	3.3
UK Treasury 3.25% 7/12/2011	3.1
US Treasury 2.5% 15/1/2029	1.8
US Treasury 1.75% 15/1/2028	1.8
US Treasury 2.375% 15/1/2027	1.8
<b>Concentration (Top 10)</b>	<b>38.9</b>

Source: Investec

**Classification**

<b>Sector</b>	Cautious Managed
<b>Benchmark/Index</b>	50% FTSE All-Share, 50% Merrill Lynch Broad Market

**Management/Investment Style**

<b>Fund Manager</b>	Alastair Mundy (August 2002)
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The fund aims for a growing income and long-term capital growth by investing nearly two-thirds in UK equities and the rest in UK investment grade corporate bonds and gilts. The equity portion is managed on a contrarian, value approach within controls set at sector and stock level, whilst the bond segment is run in a disciplined top-down manner accompanied by fundamental research.

**Investment Objective & Methodology**

The fund aims to provide a combination of income and long-term capital growth by investing conservatively in a diversified portfolio of equities and fixed interest securities of high quality and marketability. The fund's equity exposure will be limited to a maximum of 60% of the portfolio value.

Alastair Mundy has managed the fund since August 2002. The team includes David Lynch, Celia Duncan, Steve Woolley, Mark Wynne-Jones, who is in charge of the research process and co-ordination and Jo Slater, who assists them on research. Peter Lowery is the deputy manager for the fund and is jointly responsible with the fund manager for determining the asset allocation. The team also has close interaction with Sam Houllie who manages the South African locally registered Cautious Managed fund.

The manager has a contrarian approach to investment and believes that by identifying out-of-favour stocks and concentrating on their long-term potential, he is able to generate attractive returns over time. The investment process for the equity portfolio commences with a quantitative screen of the constituents within the FTSE 350 Index. Further analysis is applied involving extensive use of broker research and company contacts to produce a short list of between 70 and 80 stocks. The fund manager is looking for companies that exhibit poor sentiment in the form of share price declines where the potential for good news is being ignored. Stocks must have attractive valuations represented by EV/Sales, price/NAV and EV/EBIT. An understanding of a company's balance sheet strength and its operational gearing is a key factor in trying to avoid value traps. Typically, a buy occurs when a stock's price is trending downwards with the manager aiming to stay with the stock as its price appreciates. At low points, the manager will focus on stable denominator ratios such as EV/Sales and price/NAV, looking for anchor points such as assets, balance sheet, brand strength and market position. Conversely, at high points, the manager relies on his confidence in the valuation measures used and his assessment of the market buyers. A sell is triggered if the story changes, if there are balance sheet concerns, in order to take profits or to fund a better idea.

The UK equity portfolio will typically comprise 70 to 100 stocks. Controls exist at the sector and stock levels, the former limiting the sum of the sector deviations from the FTSE All-Share Index to 30%, the latter limiting the initial purchase level to either the greater of 3% of the fund or 2% above the stock's index weighting. Further controls are applied at the market-cap level with the large-cap exposure typically accounting for 65% to 80% of the portfolio. The small-cap exposure will represent less than 10% of the portfolio. The manager will also invest in overseas stocks where he finds interesting opportunities, but such exposure will be limited to 10% of the fund. The bond portion is invested in gilts and predominantly investment grade corporate bonds and tends to be very diversified. The primary aim of this portion of the portfolio is to dampen the volatility of the overall fund. The fund will be invested at least 35% in equities and 35% in fixed income at all times.

[www.obsrfundratings.co.uk](http://www.obsrfundratings.co.uk)

Data as at 30 September 2011  
Last Updated October 2011