

Investec 4Factor™ Global Equity Strategy

# Dorset County Council

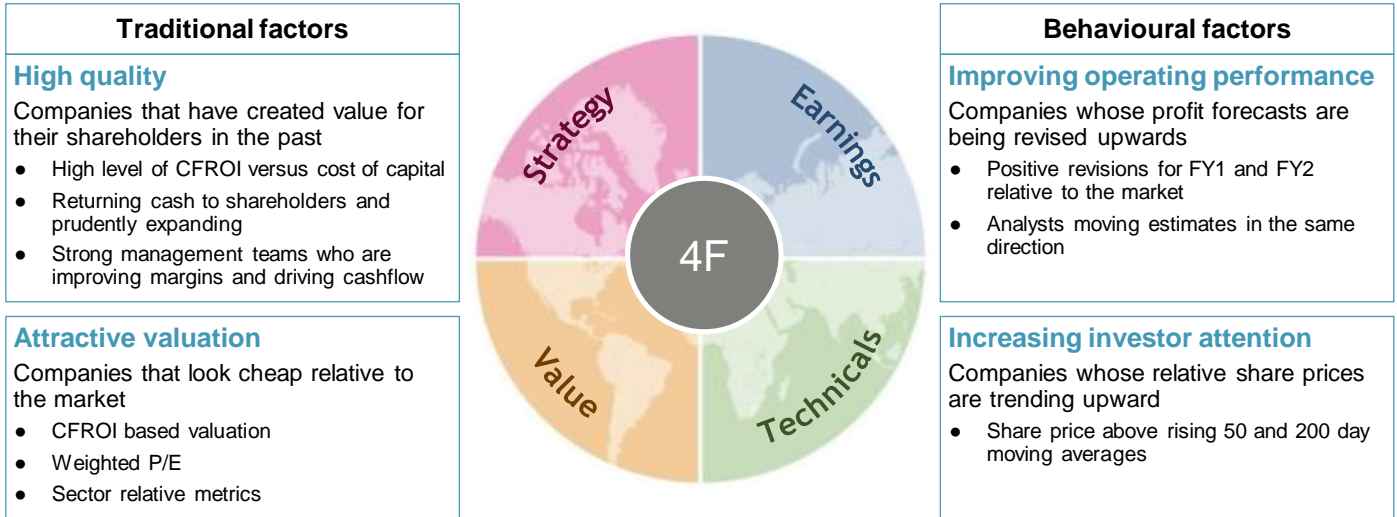
Investment report for the quarter ended  
30 June 2016



This document is only for institutional investors and their advisors.  
Circulation must be restricted accordingly.

 **Investec**  
Asset Management

# 4Factor™ investment philosophy and process

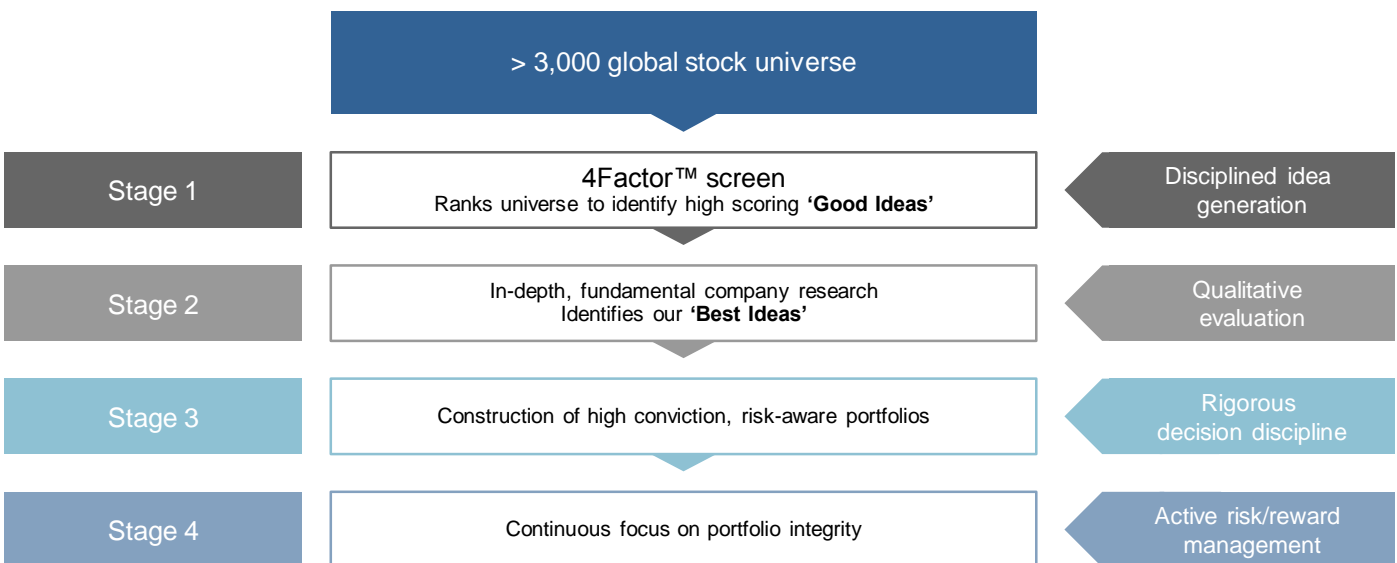


**These four factors can individually drive share prices and in combination can drive long-term outperformance**



**Stocks score between 1 and 4 on each factor.  
Stocks scoring 12 above are reviewed weekly for possible purchase.**

## 4Factor™ Framework



No assurance can be given that the strategy will be successful or that the investors will not lose some or all of their capital. Internal parameters and process are subject to change and not necessarily with prior notification.

# Executive summary

## Quarter ended 30 June 2016

### Investment strategy

The portfolio follows the Investec 4Factor™ Global Equity Strategy, aiming to achieve long-term capital growth in a diversified portfolio of the more liquid equity securities around the world.

### Performance objective

To outperform the MSCI World Index NDR by 2 - 3% over a three year rolling average, gross of fees.

### Market background

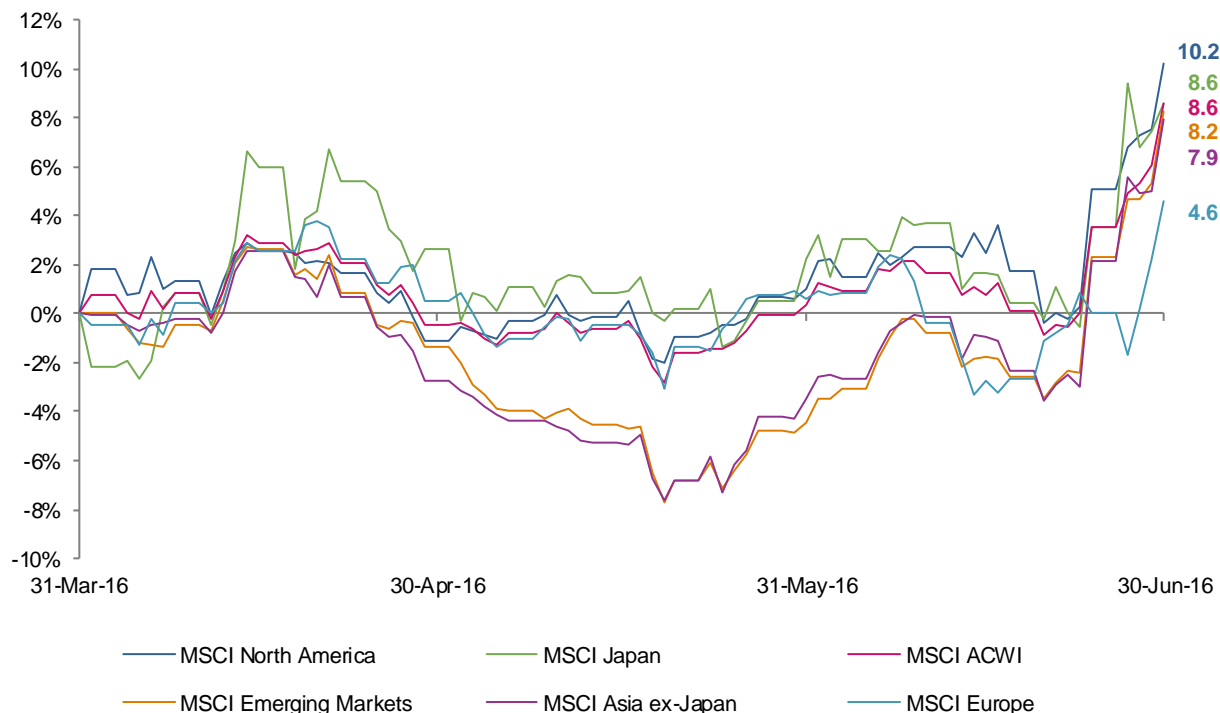
Global investors maintained a constructive albeit cautious view on equity markets for much of the second quarter as generally upbeat corporate earnings, supportive central bank rhetoric and further stabilisation in commodity prices supported sentiment. This relative calm proved to be short-lived as risk aversion reared its head in the wake of the UK electorate's vote to leave the European Union (EU) – commonly referred to as 'Brexit'.

As a result of the moves, investors shifted into defensive stocks to weather the heightened volatility in markets which has been the typical pattern during such times over the past few years. The Chinese currency devaluation scare in the third quarter of 2015, and concerns about global growth in the first quarter of 2016 provide recent examples. As such, healthcare, utilities and consumer staples were among the best performing sectors in the index over the quarter. However, what was different in the second quarter was that energy stocks also performed well as crude oil prices held around the US\$50 a barrel mark, while metals & miners similarly found favour.

Investors trimmed their exposures to consumer discretionary stocks, particularly autos, amid renewed global growth worries following Brexit. It was another tough quarter for financials across the world, though high dividend-paying real estate stocks benefited from lower bond yields.

Factor performance was a headwind, the fourth consecutive quarter where this has occurred, and there was considerable rotation across factors. Value outperformed along with small cap at the start of the quarter, led by materials and emerging markets, but this went into reverse as investors reduced risk and shifted into low volatility and high dividend yield strategies. Indeed Value had one of its worst performances in 20 years.

### World equity indices



Source: Morningstar, total return, in GBP. The stated performance objective is determined by the estimated relative performance which we believe, based on empirical back testing of the 4Factor™ model within the portfolio's investable universe, may be achieved through active application of the 4Factor™ process, and in accordance with the construction parameters of the portfolio. This performance objective is subject to change and may not be achieved in the event that stocks selected fail to perform in line with expectations, losses may be made.

# Executive summary

## Quarter ended 30 June 2016

### Performance review

While having an underweight position in the outperforming energy sector dragged on returns, the key driver of the portfolio's underperformance in the second quarter was stock selection. In fact, our exposure to US oil refiner Valero Energy had a significant negative impact on overall performance as the stock fell on concerns that weak crack spreads would hurt refining margins.

The portfolio faced a number of headwinds after the Brexit shock, with stock selection in the UK market having a negative impact on returns. In particular, exposure to domestic-focused stocks, such as housebuilder Barratt Developments, telecoms giant BT and staffing company Adecco resulted in significant underperformance for the quarter. Our holdings in Continental, HeidelbergCement and ProSiebenSat.1 Media (P7), and CK Hutchison were similarly caught up in the sell-off in UK and European-exposed stocks. Earlier in the quarter, Hong Kong's CK Hutchison encountered selling pressure after EU regulators blocked its attempt to purchase O2 UK from Spain's Telefónica amid concerns about competition within the European telecoms market.

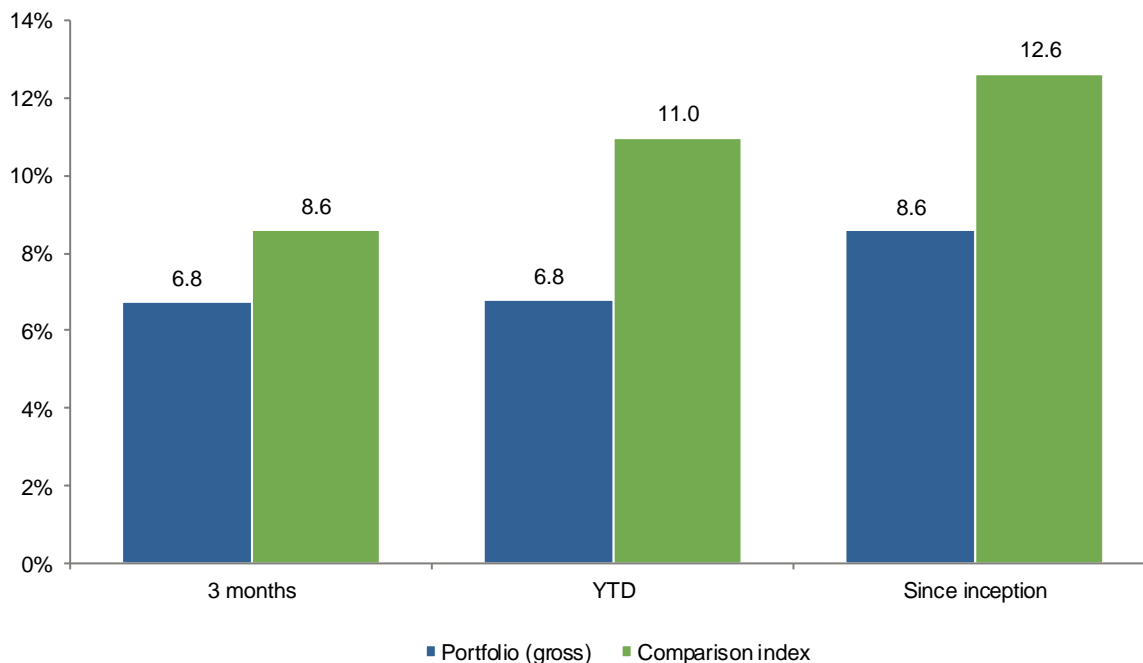
Our overweight in airlines hurt returns, with Alaska Air, Southwest Airlines and Japan Airlines among the biggest detractors from returns. Shares in Alaska and Southwest fell on concerns about pricing in the US after peers reported declines in passenger revenue per available seat mile (PRASM). Key stock detractors also included Synaptics and Voya Financial. Apple supplier Synaptics was among those indirectly hit by iPhone destocking fears, while the company reported poor sales results. Meanwhile, Voya's share price fell amid concerns that declining bond yields and equity markets would adversely impact investment returns for life insurers.

Shares in gaming software company Activision Blizzard rallied on the back of solid first-quarter results, with upside stemming mainly from its *Call of Duty* gaming franchise and an earlier-than-expected close of its acquisition of King Digital Entertainment, the creator of *Candy Crush* – which added to total revenue for the quarter. The portfolio also benefited from an underweight in large index constituent Apple.

As defensive stocks found relative favour with investors, our holdings in Aflac, KDDI, and Nippon Telegraph & Telephone, helped generate positive returns for the portfolio. A number of our healthcare holdings, including Pfizer, Zimmer Biomet, UnitedHealth, Quest Diagnostics and Shire, rallied along with the sector. Pharmaceutical company Pfizer reacted favourably to the news that the merger with Allergan had collapsed, with the deal having been viewed as not particularly value-enhancing.

Value saw a sharp reversal of fortunes towards the end of the quarter and our exposure to Value therefore hindered the relative performance of the portfolio. Strategy also had a negative impact, despite performing well in May. Low volatility and yield (factors not included in the 4Factor screen) performed well while the Earnings factor rebounded later in the quarter and Technicals were also mildly supportive.

### Performance



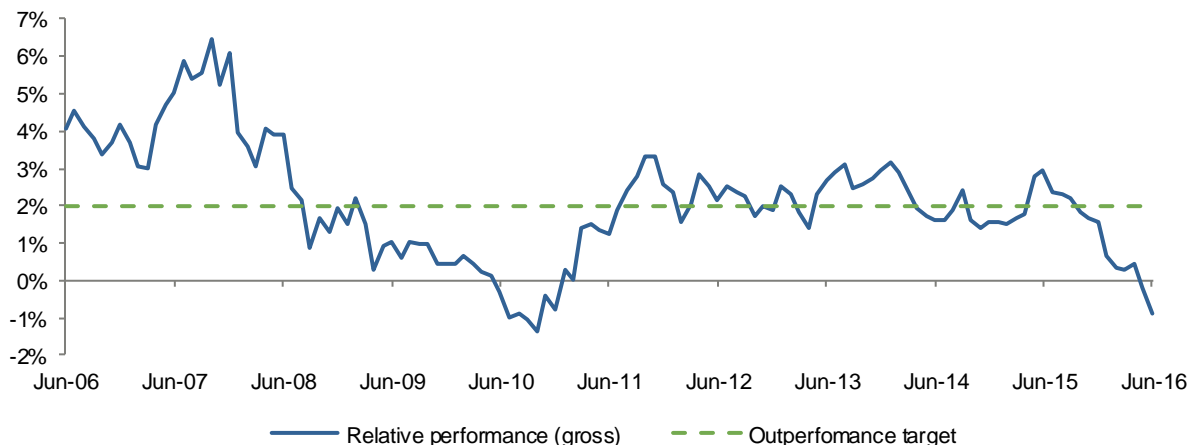
Market value: GBP 178,233,163

Source: Investec Asset Management.  
Returns are stated gross of fees, in GBP. Past performance should not be taken as a guide to the future, losses may be made.  
Comparison index: MSCI World NDR.  
Client inception date: 17 December 2015.

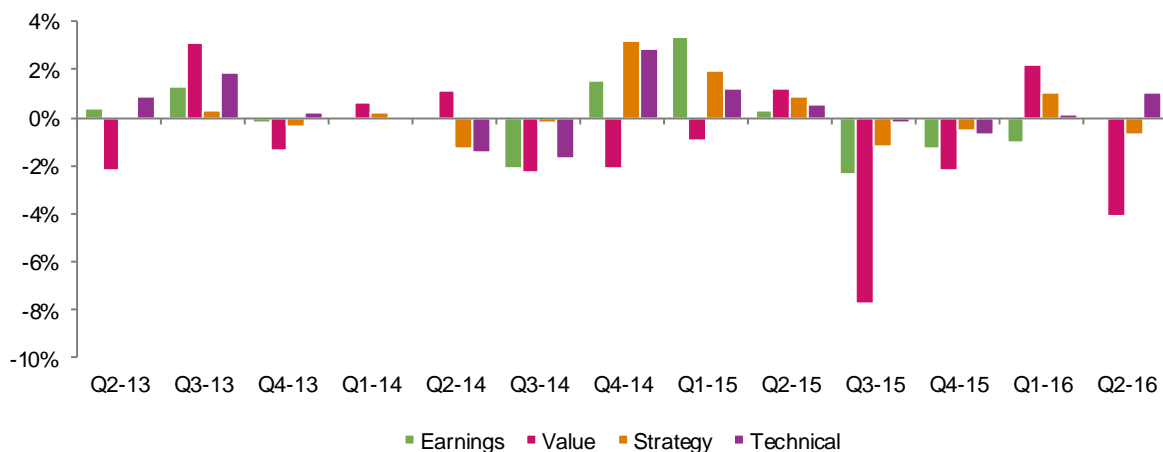
# Executive summary

Quarter ended 30 June 2016

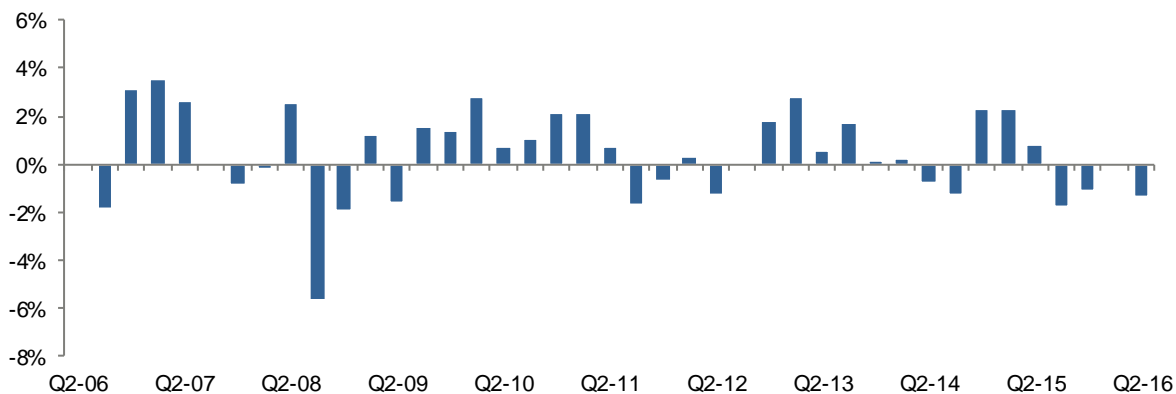
## 3 year rolling performance (10 years)



## Individual factors vs. comparison index (3 years)



## Factors combined vs. comparison index (10 years)



3 year rolling outperformance - Source: Investec Asset Management GIPS® composite report. Returns gross of fees, in GBP. Data reflects the composite performance for the strategy. Past performance should not be taken as a guide to the future, losses may be made. Returns will be reduced by deduction of management fees and other expenses incurred relative to its advisory account. Please see Glossary and Important information sections for further details.

Factors - Source: Investec Asset Management. The Factors combined show the relative performance of a portfolio of stocks comprising of the top quartile of ranked stocks from our four factors against the index over time. This strategy is rebalanced quarterly and has no risk constraints or transaction costs.

Comparison index: MSCI AC World NDR (MSCI World NDR pre 01/01/2011).  
Investec 4Factor™ Global Equity Core Strategy inception date: 01 August 2000.

# Executive summary

## Quarter ended 30 June 2016

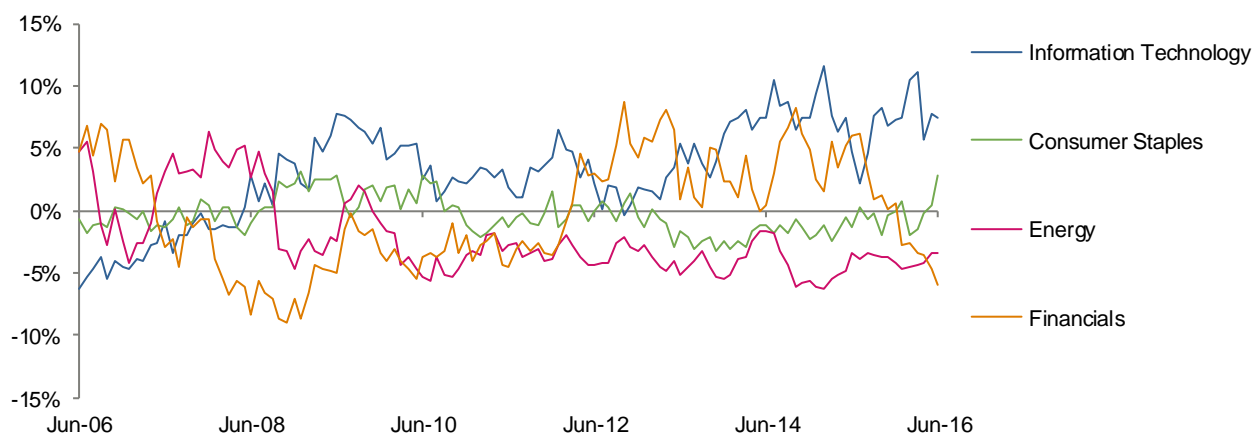
### Market outlook

Looking ahead, the shockwaves of the unexpected Brexit vote are likely to continue to dominate market sentiment and risk appetite – although the real impact on the economy is not yet clear. The benign environment of slowly improving growth and a steady shift towards higher short-term rates has been upended. Markets are now facing the prospect of further monetary stimulus as the world's central banks look to ease policy in the face of the disinflationary impact of a shock to the financial system. A backdrop of hoped-for economic recovery, followed by a crisis and monetary support, has been the most consistent feature of markets in recent years.

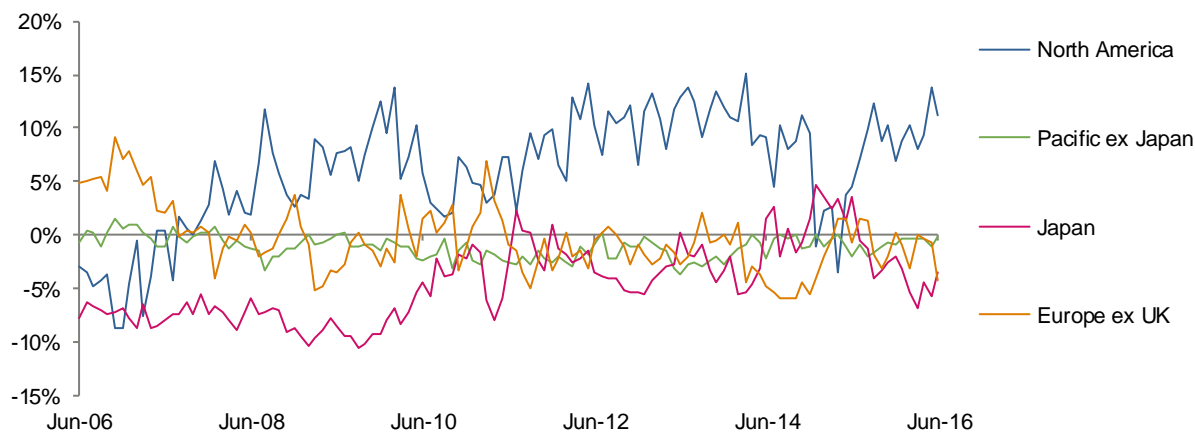
While share prices have recovered after the initial knee-jerk sell-off, there are questions about where markets go from here and how investors will behave going forward. Our long-held view has been that equities look good in relative value terms against other asset classes, but whether they offer strong absolute return potential is harder to assess. Within the market, there is still a significant disparity between the price investors have to pay for stocks with more secure cashflow streams and those at the cyclical end of the market. The bigger question is whether the rally in the cheaper segment of the market since mid-February – which has been put on hold in recent weeks – has further room to run as markets adjust to lower growth expectations and another round of monetary easing. The received wisdom is that it does not. That said, commodities resisted another sell-off amid the recent volatility and the major casualties have been financials.

As a result, the stock market is increasingly bifurcated. Headline valuation multiples do not suggest markets are undervalued, and growth remains hard to come by, but the dispersion between quality stocks, and their value counterpoint, is at multi-year highs. How this divergence unfolds will be key to both the returns, and volatility, of markets ahead. While markets have been presented with frequent challenges of late, our confidence as bottom-up managers lies in our disciplined process and the ability to select individual investments according to key long-term growth drivers. As the shocks of event-driven markets subside, it is strong company fundamentals which allow stock prices to find their fair value in the long run.

### GICS sector relative 4Factor™ steers (top and bottom 2)



### Regional relative 4Factor™ steers (top and bottom 2)



Source: Investec Asset Management.

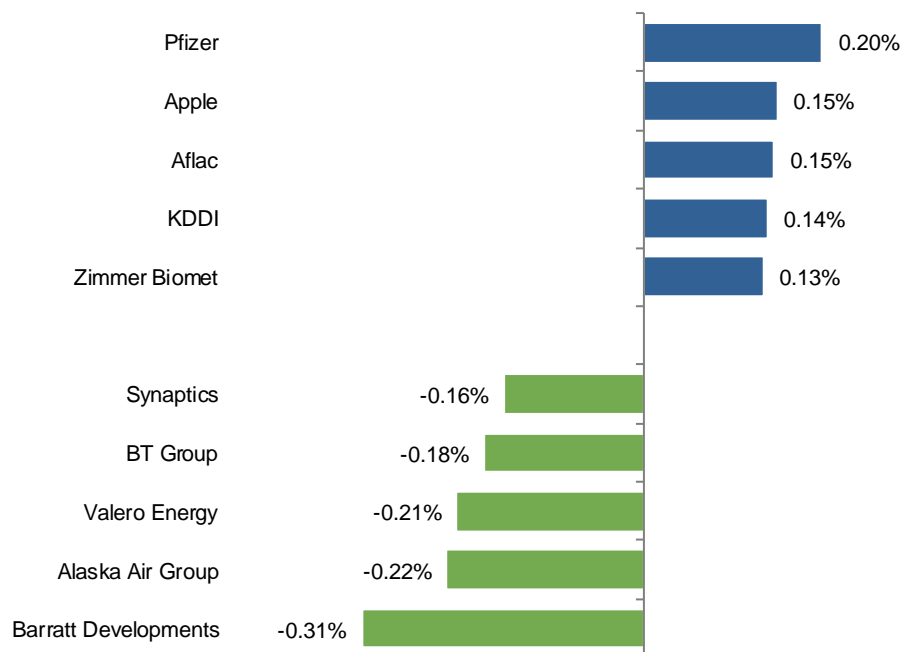
The weights show the top quartile of 4Factor™ scores relative to the 4Factor™ universe.

An indication of where our proprietary 4Factor™ screen is identifying 'good ideas' – relative to the average or expected output for each steer.

# Performance analysis

Quarter ended 30 June 2016

## Holding contribution (top and bottom 5)



## Top 10 holdings

	Portfolio %
Pfizer	1.9
PepsiCo	1.8
Comcast	1.6
UnitedHealth Group	1.6
Nestlé	1.5
KDDI	1.4
Cisco Systems	1.4
AT&T	1.3
Citigroup	1.3
Nippon Telegraph and Telephone	1.3

Source: FactSet.

The portfolio may change significantly over a short period of time. Past performance should not be taken as a guide to the future, losses may be made.

Holding contribution reflects the top-contributing and top-detracting securities within the portfolio and should not be considered to be buy or sell recommendations.

There is no assurance that Investec Asset Management will be able to identify or secure investment in securities like those discussed.

Please see Glossary and Important information sections for further details.

Holding contribution is relative to the MSCI World NDR Index.

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# Significant transactions

## Quarter ended 30 June 2016

### Purchases

**Bank of New York Mellon:** Global banking and financial services company. Despite having run an effective oligopoly for the past decade or so, trust banks have struggled to translate this market dominance into higher operating margins. This finally appears to be changing, with clear evidence that BNY Mellon is delivering on cost cuts, while growth is taking a back seat to price hikes. In our view, there is considerable further upside to earnings in the event of additional interest rate hikes. Moreover, valuation is in line with US regional banks, but without the credit risk attached.

**ABB:** Leader in power and automation technologies. Base orders appear to be stabilising, and if this continues, ABB could see a return to positive revenue growth over the balance of 2016. The company's cost-saving initiatives have benefited operating margins in recent quarters, but margins are still at the bottom-end of the target range, suggesting further scope for improvement as revenue momentum picks up and cost-cutting continues. Furthermore, earnings quality (i.e. cash conversion) has been good, and growth should be helped by reduced restructuring charges. ABB's current valuation is attractive and we see further share price upside potential given ongoing margin improvement.

**Carnival:** Dual-listed cruise ship owner and operator. A change in management focus, from growth to returns, and a new incentive structure – encouraging greater co-operation on cost reduction – are showing promise. Pricing appears to be catching up after the well-documented disasters of 2011 and 2013, as demand from China is absorbing capacity growth and allowing more rational pricing in mature markets for the industry as a whole. As leverage is well below management targets, this could allow for further dividend increases and share buybacks. With returns approaching prior targets, more ambitious targets from management would be well received by the market.

### Sales

**American International Group:** US multinational insurance company. American International Group (AIG) has consistently missed operating earnings expectations due to reserving issues on legacy (pre-global financial crisis) business. We have tolerated these disappointments on the basis that capital return has consistently exceeded expectations and that underwriting weakness has been confined to the legacy book. Fourth-quarter 2015 results changed our view, as AIG took a large reserve on its 2010-2014 business, suggesting problems with underwriting are more widespread. Activist efforts to force a break-up of the company raised hope that management would, finally, take more radical action to extract value from the business. The recent détente, however, suggests that there is no easy fix.

**Novatek Microelectronics:** Taiwanese fabless chip design company. We sold out of Novatek given negative growth in 2015 and expectations of low growth this year, against a backdrop of earnings downgrades. The structural drivers behind the original investment case have been overwhelmed by cyclical issues and followed by slowing end-markets. Of greater concern this year is potentially higher competition in the small-size display driver IC market, and more worryingly, in the profitable large-size display driver IC market – from Taiwanese peers. While the stock looks cheap with a high single-digit dividend yield, this needs to be viewed in context of the challenges faced by the business.

**Nitto Denko:** Japanese diversified chemicals company. Nitto's 2017 earnings estimates have seen substantial downgrades since the start of the year on a deteriorating outlook for its optronic products. There are also concerns about a slowdown in the (high end) smartphone market, combined with reduced profitability and competitiveness from a stronger Japanese yen. Over the longer term, the introduction of OLED screens for phones and TVs will challenge Nitto's film supply business, and while it has improved the profitability of its industrial tapes business, it has large exposure to the slowing auto market. Despite good progress in its pharmaceuticals business, its most attractive products are unlikely to contribute to profitability for several years.

Source: Investec Asset Management.

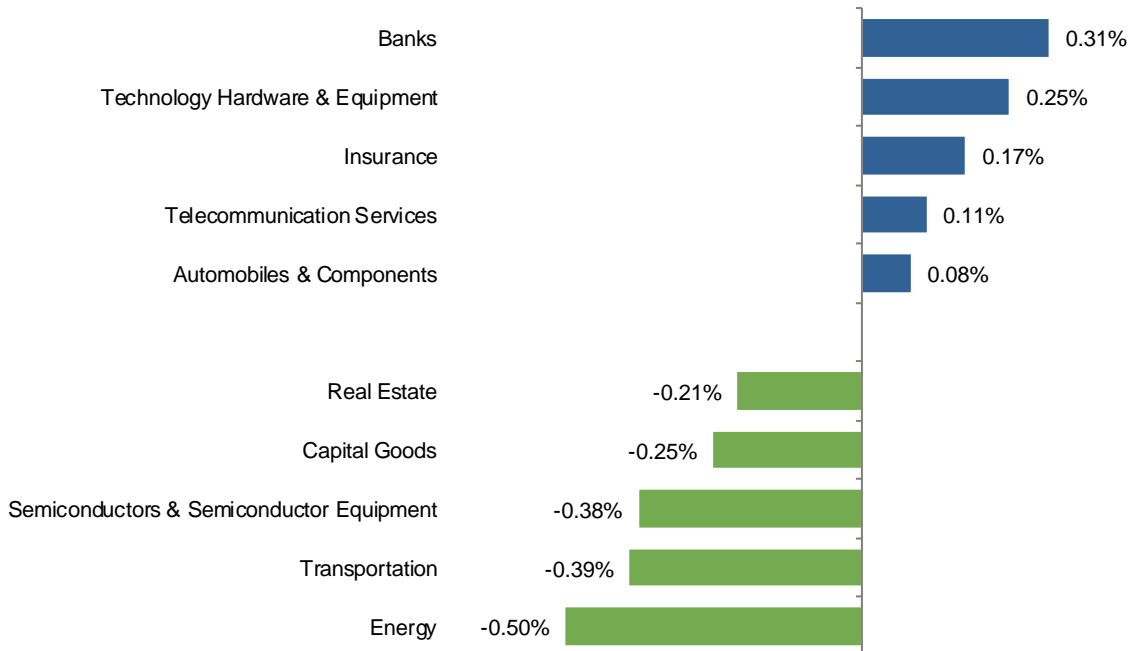
These holdings do not represent all of the securities purchased and sold. This is not a recommendation to buy, sell or hold a particular security. There is no assurance that Investec Asset Management will be able to identify or secure investment in securities like those discussed.



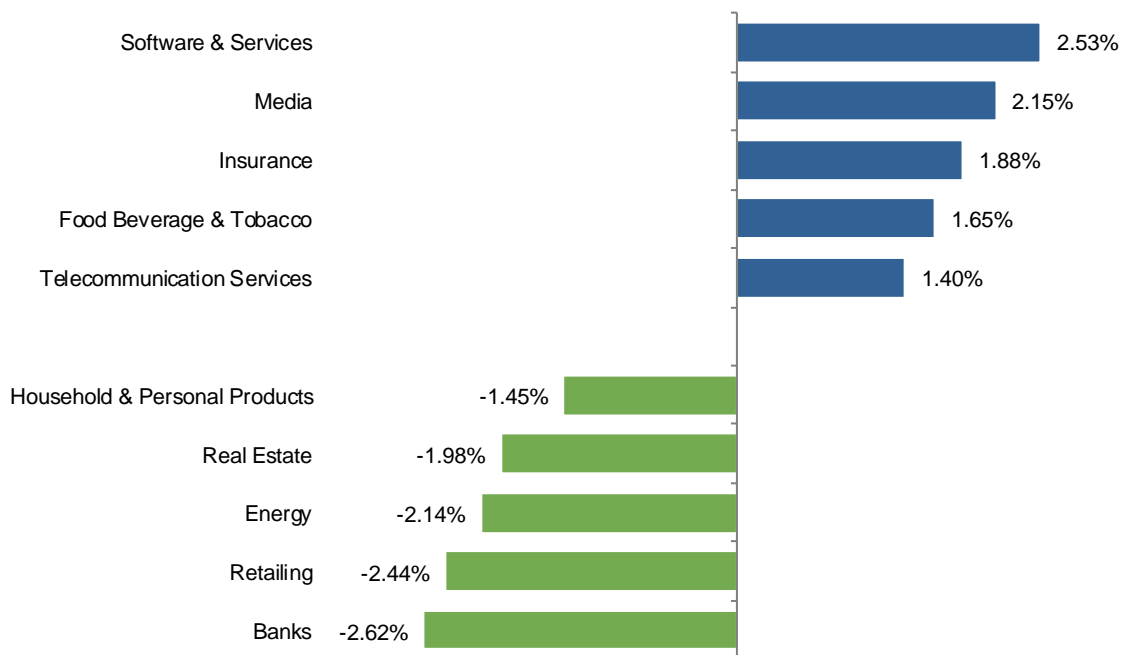
# Industry analysis

Quarter ended 30 June 2016

## Industry performance contribution (top and bottom 5)



## Industry relative positions (top and bottom 5)



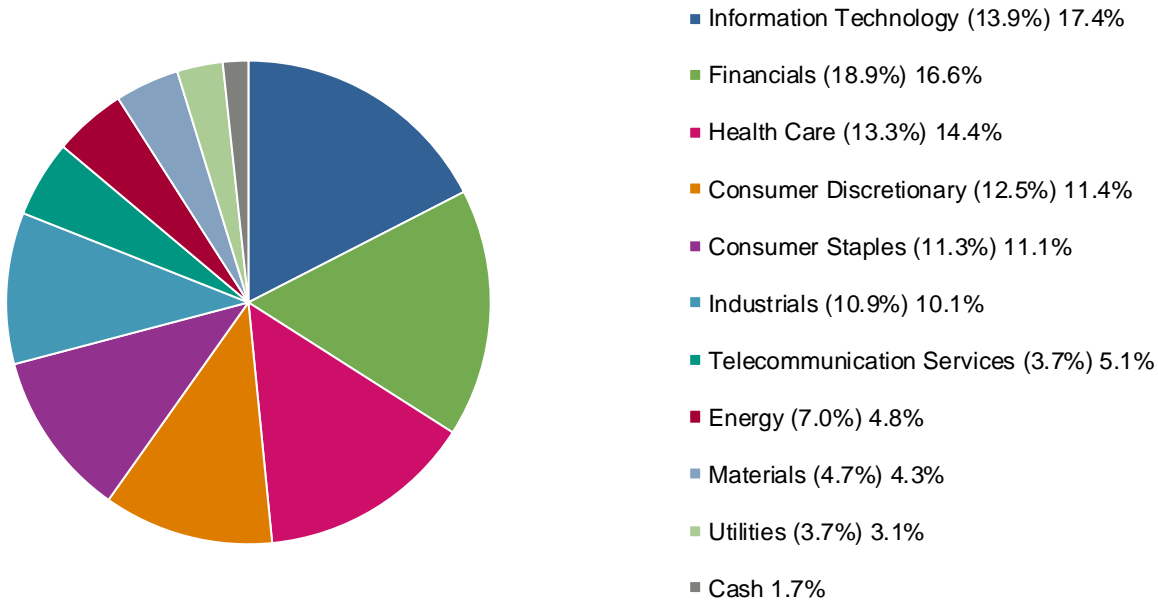
Source: FactSet.

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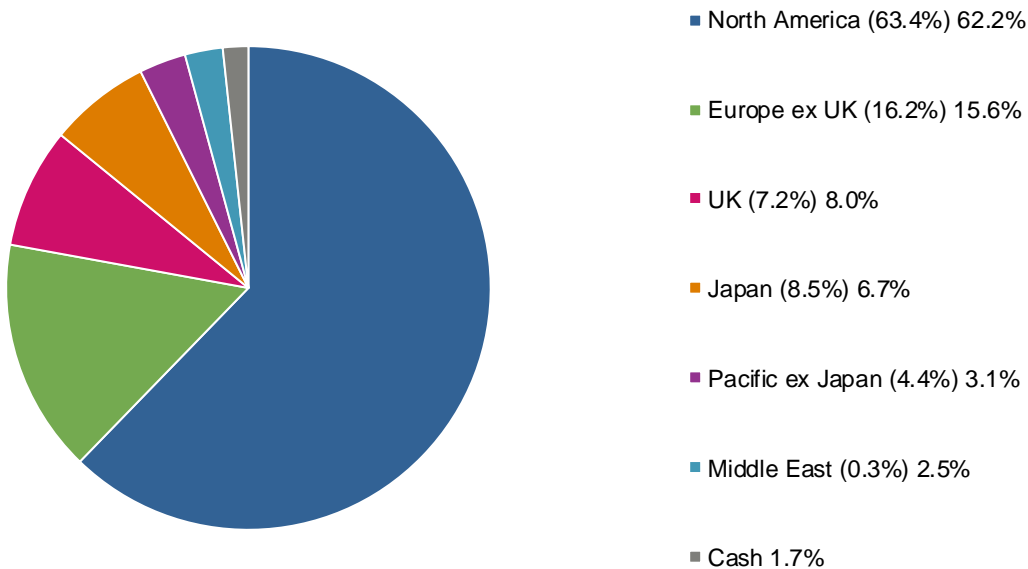
# Positioning analysis

Quarter ended 30 June 2016

## Sector positions



## Regional allocation



Source: FactSet.  
The portfolio may change significantly over a short period of time.  
Figures represent the percentage portfolio allocation.  
Figures in brackets represent the MSCI World NDR Index weighting.

# Attribution analysis

Quarter ended 30 June 2016

## Sector performance attribution (%)

	Portfolio ending weight	Benchmark ending weight	Over/under weight	Portfolio average weight	Benchmark average weight	Portfolio total return	Benchmark total return	Allocation	Selection + interaction	Total effect
<b>Consumer Discretionary</b>	<b>11.4</b>	<b>12.5</b>	<b>-1.1</b>	<b>11.6</b>	<b>12.9</b>	<b>1.4</b>	<b>3.2</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.1</b>
Automobiles & Components	2.3	2.3	-0.1	2.5	2.5	-0.2	-3.3	0.0	0.1	0.1
Consumer Durables & Apparel	18	19	-0.1	16	2.0	-9.8	2.0	0.0	-0.2	-0.2
Consumer Services	1.1	1.7	-0.7	1.0	1.8	0.0	0.8	0.1	0.0	0.1
Media	4.8	2.6	2.2	4.6	2.8	5.5	5.7	-0.1	0.0	-0.1
Retailing	14	3.8	-2.4	19	3.9	4.5	7.7	0.0	-0.1	0.0
<b>Consumer Staples</b>	<b>11.1</b>	<b>11.3</b>	<b>-0.2</b>	<b>10.8</b>	<b>10.9</b>	<b>9.4</b>	<b>11.4</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.2</b>
Food & Staples Retailing	18	2.2	-0.4	18	2.2	10	5.7	0.0	-0.1	-0.1
Food Beverage & Tobacco	8.4	6.7	1.6	8.0	6.5	11.0	12.8	0.1	-0.1	-0.1
Household & Personal Products	0.9	2.4	-1.5	0.9	2.3	12.8	12.8	-0.1	0.0	-0.1
<b>Energy</b>	<b>4.8</b>	<b>7.0</b>	<b>-2.1</b>	<b>4.4</b>	<b>6.6</b>	<b>11.9</b>	<b>18.9</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-0.5</b>
Energy	4.8	7.0	-2.1	4.4	6.6	11.9	18.9	-0.2	-0.3	-0.5
<b>Financials</b>	<b>16.6</b>	<b>18.9</b>	<b>-2.4</b>	<b>16.9</b>	<b>19.6</b>	<b>6.2</b>	<b>5.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
Banks	5.3	7.9	-2.6	5.6	8.3	7.2	3.9	0.1	0.2	0.3
Diversified Financials	4.0	3.7	0.4	3.8	3.9	2.2	3.3	0.0	0.0	-0.1
Insurance	5.7	3.8	1.9	5.9	4.0	9.1	4.6	-0.1	0.2	0.2
Real Estate	16	3.6	-2.0	17	3.5	2.4	11.6	-0.1	-0.2	-0.2
<b>Health Care</b>	<b>14.4</b>	<b>13.3</b>	<b>1.1</b>	<b>14.0</b>	<b>13.1</b>	<b>13.7</b>	<b>13.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
Health Care Equipment & Services	4.9	3.9	1.0	4.7	3.7	13.9	15.6	0.1	-0.1	0.0
Pharmaceuticals Biotechnology & Life Sciences	9.5	9.5	0.0	9.3	9.4	13.6	12.7	0.0	0.1	0.1
<b>Industrials</b>	<b>10.1</b>	<b>10.9</b>	<b>-0.8</b>	<b>10.9</b>	<b>11.0</b>	<b>1.1</b>	<b>8.1</b>	<b>0.0</b>	<b>-0.8</b>	<b>-0.8</b>
Capital Goods	7.8	7.7	0.1	7.8	7.7	4.9	8.2	0.0	-0.2	-0.3
Commercial & Professional Services	0.0	1.0	-1.0	0.5	1.0	-17.5	9.6	0.0	-0.1	-0.1
Transportation	2.3	2.2	0.2	2.6	2.2	-7.1	7.2	0.0	-0.4	-0.4
<b>Information Technology</b>	<b>17.4</b>	<b>13.9</b>	<b>3.5</b>	<b>18.1</b>	<b>14.0</b>	<b>4.1</b>	<b>4.8</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.3</b>
Semiconductors & Semiconductor Equipment	3.0	2.0	1.0	3.4	1.9	-0.6	11.8	0.0	-0.4	-0.4
Software & Services	10.6	8.1	2.5	10.8	8.1	4.6	5.4	-0.1	-0.1	-0.2
Technology Hardware & Equipment	3.8	3.8	0.0	3.9	3.9	6.4	0.5	0.0	0.2	0.2
<b>Materials</b>	<b>4.3</b>	<b>4.7</b>	<b>-0.5</b>	<b>4.5</b>	<b>4.7</b>	<b>7.6</b>	<b>11.7</b>	<b>0.0</b>	<b>-0.2</b>	<b>-0.2</b>
Materials	4.3	4.7	-0.5	4.5	4.7	7.6	11.7	0.0	-0.2	-0.2
<b>Telecommunication Services</b>	<b>5.1</b>	<b>3.7</b>	<b>1.4</b>	<b>5.0</b>	<b>3.6</b>	<b>12.5</b>	<b>10.6</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>
Telecommunication Services	5.1	3.7	1.4	5.0	3.6	12.5	10.6	0.0	0.1	0.1
<b>Utilities</b>	<b>3.1</b>	<b>3.7</b>	<b>-0.6</b>	<b>2.9</b>	<b>3.5</b>	<b>11.5</b>	<b>12.3</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>
Utilities	3.1	3.7	-0.6	2.9	3.5	11.5	12.3	0.0	0.0	-0.1

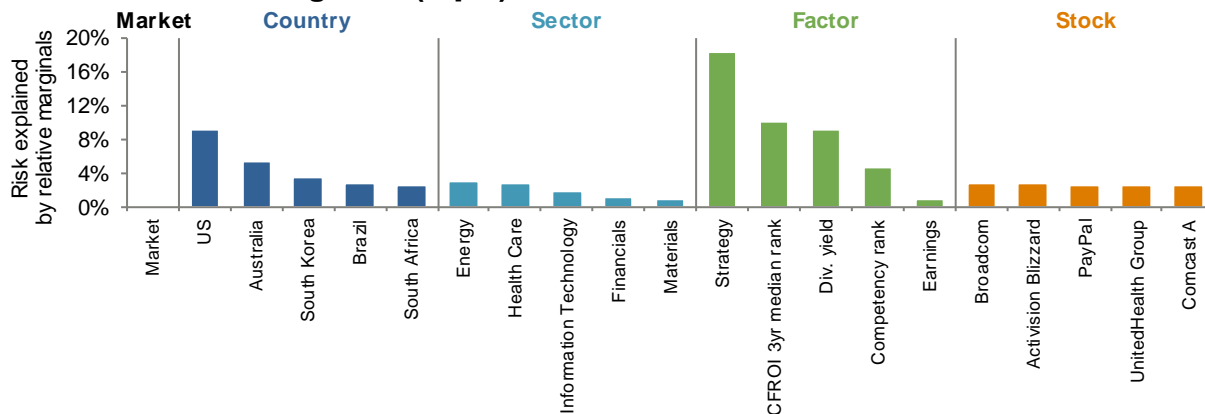
Source: FactSet.

The portfolio may change significantly over a short period of time. Past performance should not be taken as a guide to the future, losses may be made. Performance differentials between the portfolio and the attribution analysis can be due to expenses, timing differences, calculation methodology and rounding. Please see Glossary and Important information sections for further details. Attribution for the portfolio versus the MSCI World NDR Index.

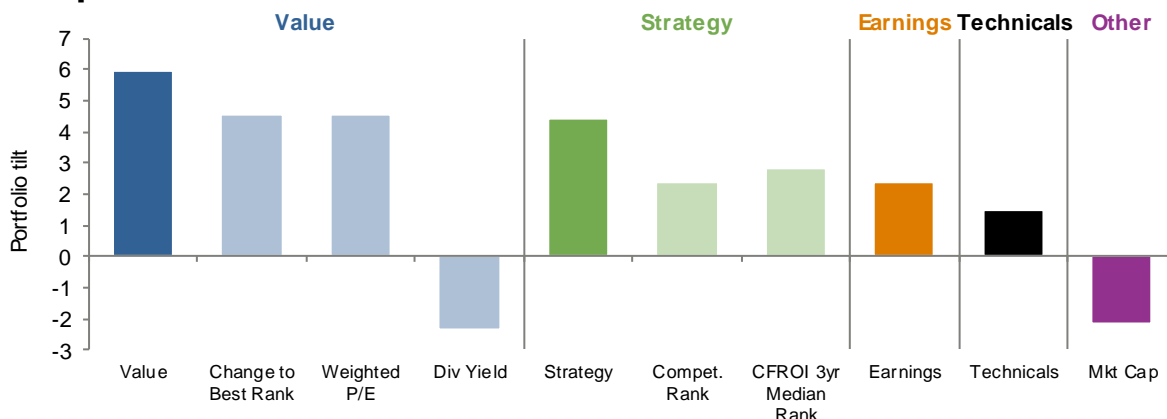
# Factor exposure and risk management

Quarter ended 30 June 2016

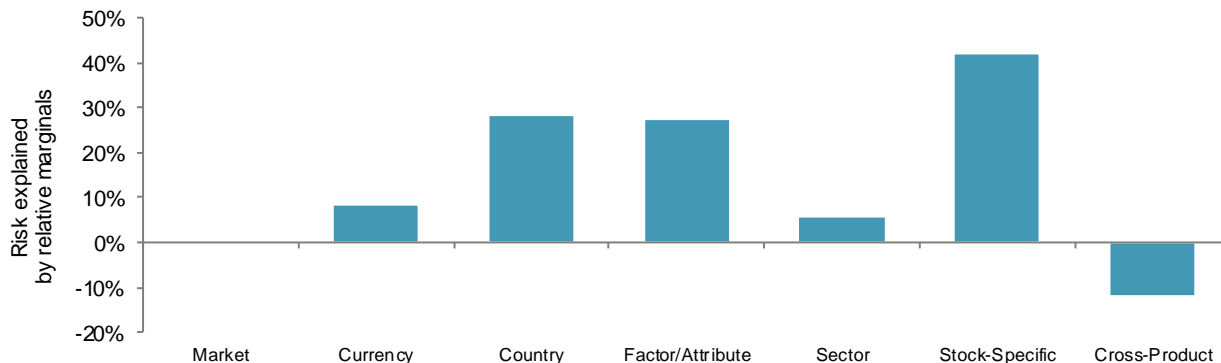
## Contribution to tracking error (top 5)



## Factor exposure



## Tracking error decomposition



Active share: **84.3%**  
 Tracking error: **2.5%**  
 Portfolio beta: **1.01**

Source: Investec Asset Management.

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# Stewardship review

Quarter ended 30 June 2016

## Global corporate governance and the South African Draft King IV Report

Investec Asset Management takes an active and transparent approach to voting and engagement with the companies in our portfolios. We aim to encourage and reward better corporate governance and business integrity. The goal of this is to benefit clients and also improve the broader environmental, social realms in which we invest.

In 1994 the King Report on Corporate Governance (King I) was published. The report incorporated a Code of Corporate Practices and Conduct, the first of its kind in the country, and was aimed at promoting the highest standards of corporate governance in South Africa.

Societal and corporate trends identified by the latest update of the King Report (King IV) include:

- Financial capitalism to inclusive capitalism
- Short-term capital markets to long-term sustainable capital markets
- Silo reporting to integrated reporting

King IV builds on the earlier King Codes and takes account of these important shifts in thinking, and responds to the social challenges in South Africa, with resonance in many countries and markets.

### Purpose of governance

In 1992 the UK Committee on the Financial Aspects of Corporate Governance published a report and code of best practice, known as the Cadbury Report and Code. In the report, the committee defined corporate governance as: *The system by which companies are directed and controlled.* (Emphasis by IAM). King IV builds on the Cadbury definition and defines governance as: *The exercise of ethical and effective leadership by the governing body.*

### Leadership

King IV is, therefore, intended to help build broader awareness of what governance is and its purpose. However, we have reservations as to whether this expected improvement in governance awareness will translate into the action required from directors, shareholders and auditors.

In our view, codes of governance, shareholder codes and scrutiny of the auditing profession have not led to a sense of heightened accountability and responsibility required from directors, shareholders and the auditing profession, or to a radical improvement in global systems of corporate governance.

Lack of accountability and responsibility can include:

- Destruction of value (African Bank and Volkswagen).
- Remuneration issues, including systems of remuneration that are not aligned to sustainable performance or value creation for the company.
- Companies externalising costs to society and the destruction of natural capital.
- Lack of diversity in board composition.

There are three important 'levers' to improve accountability and the overall systems of governance:

- Finding a way to ensure institutional investors practise active ownership (holding directors accountable through engagement and voting).
- Finding a way to ensure the auditing profession demonstrates greater accountability to shareholders.
- Finding a way to ensure the chairman of the board's role is better understood, to set the tone for ethical decision-making and leadership of the value-creating process.

**Corporate culture** is emerging as an important differentiator for the creation of sustainable value. Codes of governance do not adequately address the need for the governing body to understand what is driving and shaping the behaviour of executives and employees.

**Remuneration** is also an important factor in the development of corporate culture. The governing body should ensure the system of remuneration, for staff and board, supports an ethical culture and encourages sustainable value creation.

Research studies, such as the ICGN statement on diversity, have found that greater **diversity** in senior executive and board ranks is correlated with measures of organisational excellence and stronger stock price appreciation. Boards that aim for effectiveness, with diversity as an element, are likely to perform better than those constructed with compliance in mind.

We must now ask: Is there the will to improve the overall effectiveness of systems of governance and will King IV be an inflection point? We believe, the apply and explain approach of King IV will help build awareness of what governance is and its purpose, but it will not necessarily secure the heightened sense of accountability and responsibility that is required from directors, shareholders and auditors for the creation of sustainable value.

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# Glossary

**Factors:** A stock classification system which define the 4Factor™ investment process. Investec Asset Management use four factors (traditional and behavioural) to rank the universe.

**Sector:** The stock classification system used by Investec Asset Management's 4Factor™ team is the Global Industry Classification Standard (GICS®). This is a four-tiered, hierarchical industry classification system.

**Relative performance:** Relative performance is the difference between the absolute return achieved by the stock and the return achieved by the performance comparison index.

**Relative positions:** Relative positions is the difference between the portfolio weight and the performance comparison index weight for any stock, sector or country.

**Attribution analysis:** Attribution analysis is a process used to analyse the absolute return and the excess return between a portfolio and its performance comparison index.

**Allocation effect:** The performance impact of being overweight or underweight a sector.

**Interaction & Selection effect:** The effect of selecting a stock relative to the index.

**Active share:** A measure of difference between the portfolio holdings and the benchmark. Calculated as the sum of absolute active weights divided by 2.

**Tracking error:** A measure of how much a fund's returns deviate from those of its performance comparison index. The lower the number the closer the fund's historic performance has followed that of its performance comparison index.

**Portfolio beta:** A measure of the volatility of a fund relative to its performance comparison index, i.e. how sensitive the fund is to movements in the market. A figure greater than 1 indicates that the fund will tend to outperform in a rising market and under perform in a falling one, i.e. is more volatile than the market. The reverse applies to a Beta of less than 1.

**EMA:** Expectation Maximisation Applications. This third-party risk system allows for a wide range of instruments to be modelled and provides risk measurement and reporting for equity, fixed income and mixed asset portfolios. EMA creates specific stress tests for a portfolio, based on average factor exposures, on an absolute and benchmark-relative basis.

**MSCI World:** The MSCI World Index is a market capitalisation weighted index which captures large and mid-cap representation across a number of developed markets. Maintained by Morgan Stanley Capital International.

**MSCI AC World:** The MSCI All Country World Index is a market capitalisation weighted index designed to provide a broad measure of equity-market performance throughout the world. Comprised of stocks from developed and emerging markets. Maintained by Morgan Stanley Capital International.

**MSCI AC World ex US:** The MSCI All Country World ex-US Index is a market capitalisation weighted index designed to provide a broad measure of equity-market performance throughout the world with the exception of the United States. Comprised of stocks from developed and emerging markets.

**MSCI AC Asia ex Japan:** The MSCI AC Asia ex Japan Index is a market capitalisation weighted index which captures large and mid-cap representation across both developed and emerging countries in Asia (excluding Japan). Maintained by Morgan Stanley Capital International.

**MSCI AC Asia Pacific ex Japan:** The MSCI AC Asia Pacific ex Japan Index captures large and mid-cap representation across developed market countries (excluding Japan) and emerging markets countries in the Asia Pacific region. Maintained by Morgan Stanley Capital International.

**MSCI Europe:** The MSCI Europe Index is a free float-adjusted market capitalisation weighted index that is designed to measure the equity market performance of the developed markets in Europe. Maintained by Morgan Stanley Capital International.

**MSCI Emerging Markets:** The MSCI Emerging Markets Index is a free float-adjusted market capitalisation index that is designed to measure equity market performance of emerging markets. Maintained by Morgan Stanley Capital International.

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Other

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# Your client management team

**If you have any questions regarding this report,  
please contact a member of your Investec Asset Management team:**

## **Client Management**

**Stephen Lee**  
Client Director  
+44 20 7597 1853  
[stephen.lee@investecmail.com](mailto:stephen.lee@investecmail.com)

## **Operations and Reporting**

**Max Ward**  
Client Operations  
+44 20 7597 2416  
[max.ward@investecmail.com](mailto:max.ward@investecmail.com)

