

Delivering a defensive return

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Select Conference

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Target audience

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Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer to invest in any particular fund, product, investment vehicle or derivative.

Specific Risk(s)

Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income. Default: There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. Derivatives: The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. Emerging market: These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems. Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. Government securities exposure: The Fund may invest more than 35% of its assets in securities issued or guaranteed by a permitted sovereign entity, as defined in the definitions section of the Fund's prospectus. Interest rate: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise.

General risks

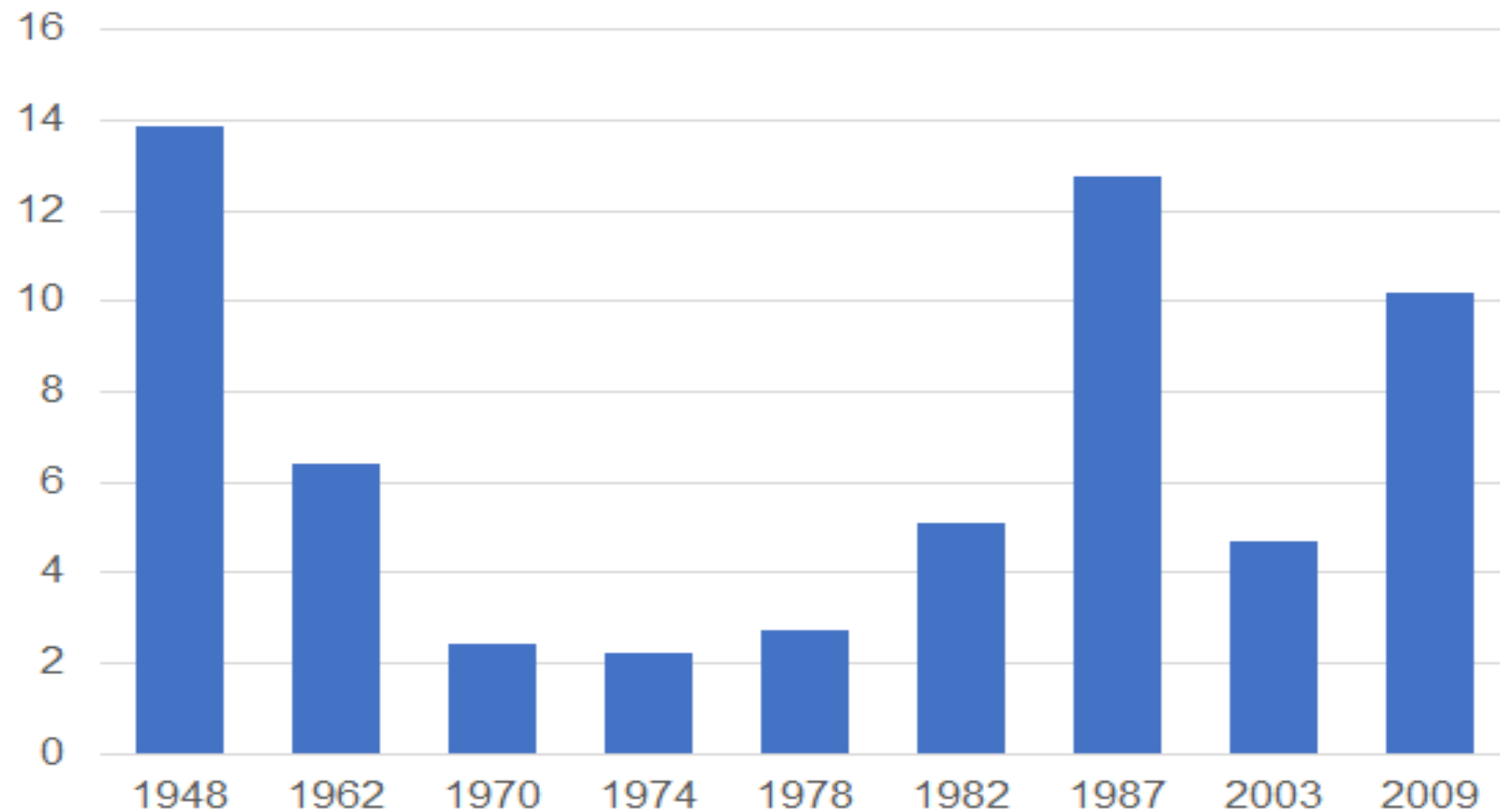
The value of investments, and any income generated from them, can fall as well as rise. Where charges are taken from capital, this may constrain future growth.

Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations.

Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made.

One of the longest bull markets in recent history

S&P 500 bull market length (years)



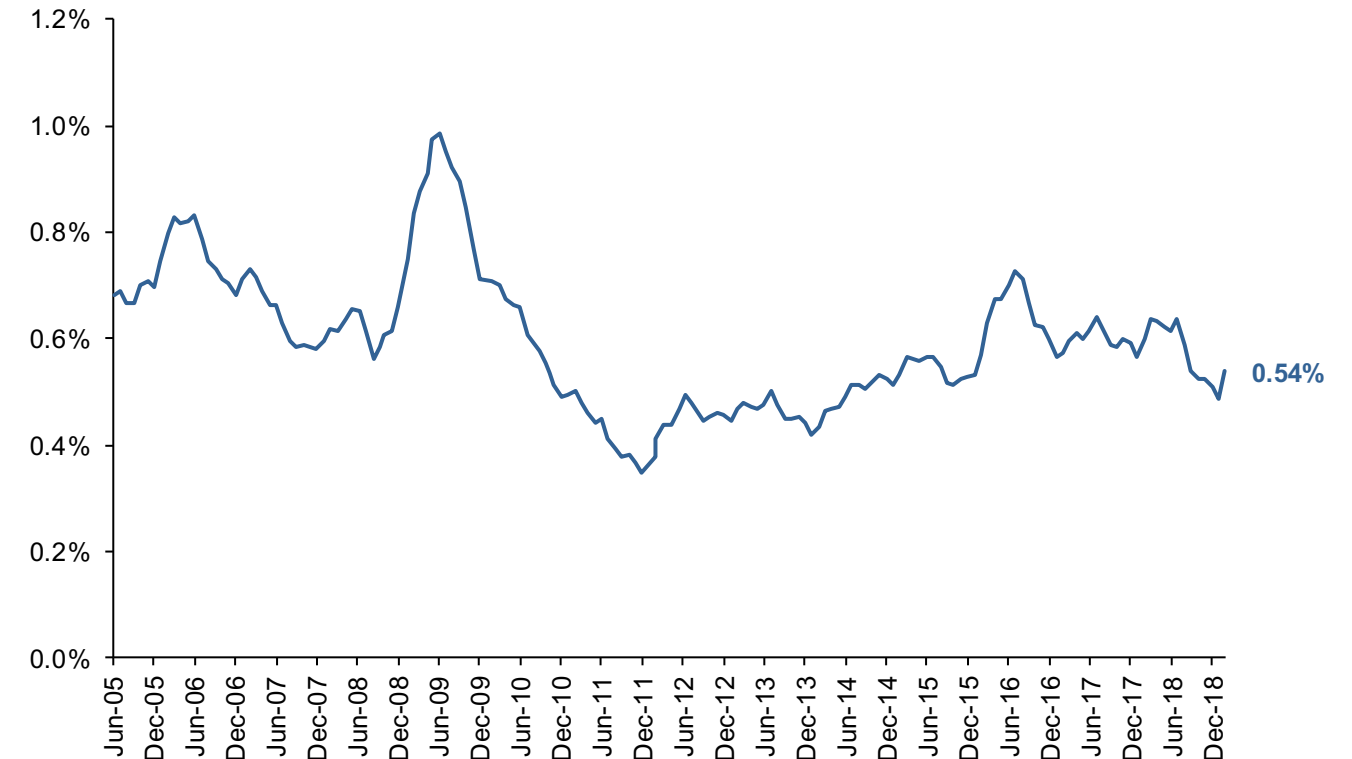
Source: Investec Asset Management, S&P, monthly periods between >20% peak to trough falls. As at 30 April 2019

Punctuated by severe losses

Market liquidity often a mirage

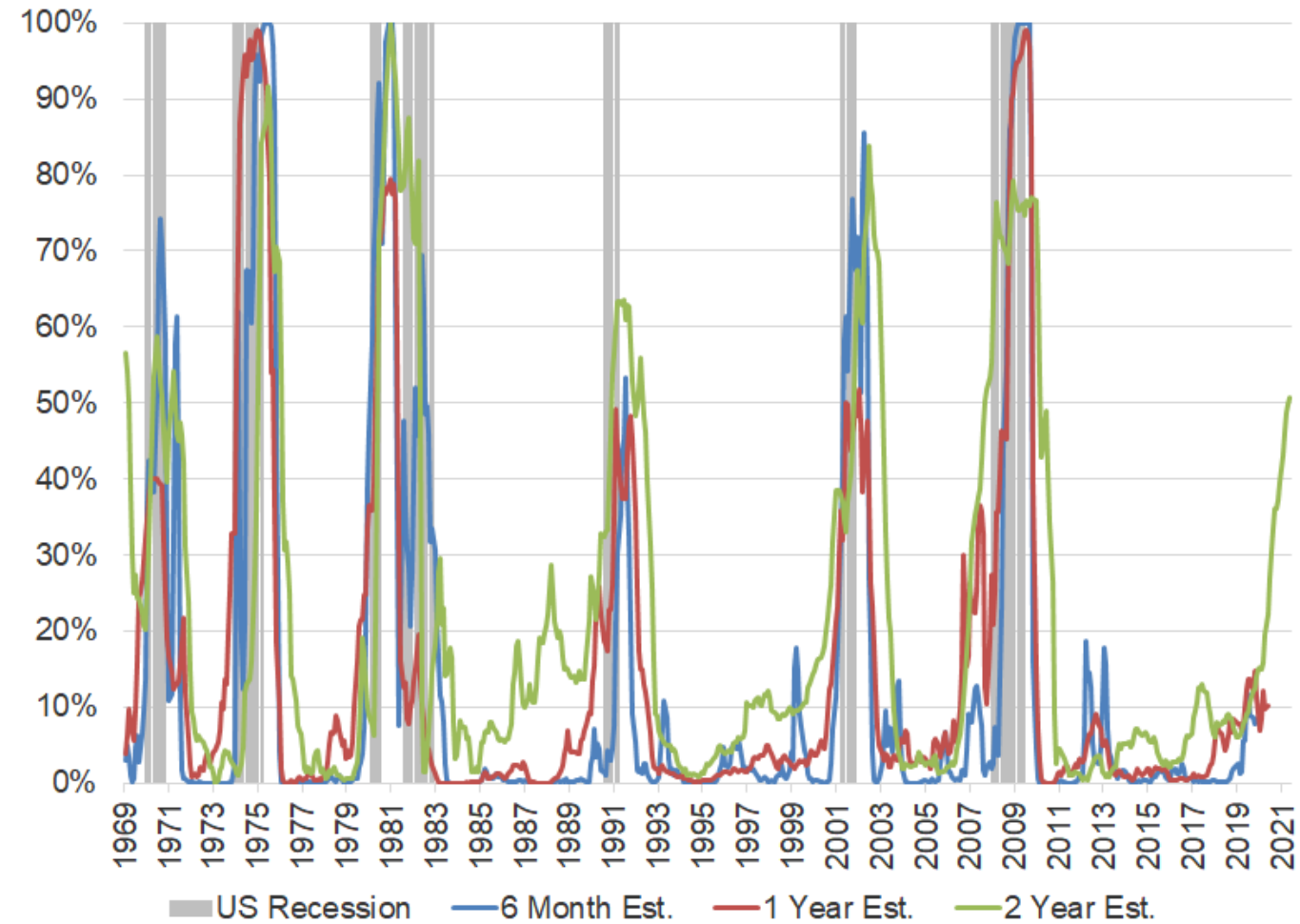
Event	Date	What happened
Dow Flash Crash	May-10	Dow Jones falls 9% in minutes
Treasury Flash Crash	Oct-14	Treasury yields see c40bps range in minutes during early morning
Swiss Franc de-peg	Jan-15	Swiss franc rallies c 40% Vs EUR / USD after national bank abandon cap
ETP Sell-Off	Aug-16	Falls of 20% for some stocks/ funds, 1/5 of US-listed ETPs halted from trading at some point
Sterling Flash Crash	Oct-16	Cable falls 6% in 2 minutes in early morning
VIX Spike	Feb-18	VIX climbs c300% in two days, c\$3.5bn inverse volatility ETN sector collapses
BTP Crash	May-18	Italian bond yields spike after election, spreads between bid and ask prices move to twice their average over the prior year

Daily Volume of High Yield Bonds Traded as % of market value



And showing signs of aging

Market based measures of recession risk

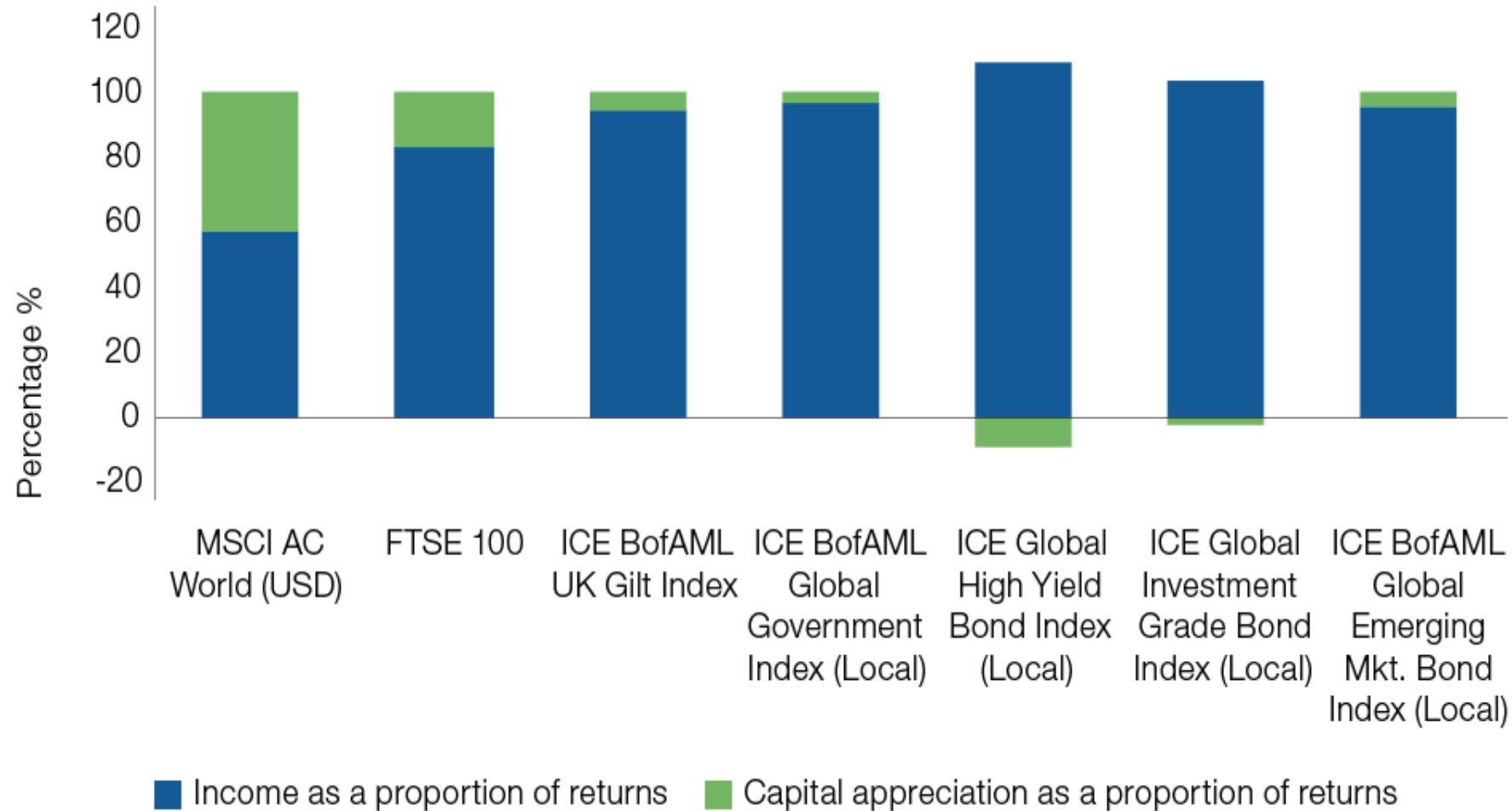


Source: Investec Asset Management, May 2019

Yield as a means to an end?

Income is important irrespective of cashflow requirements

Contribution of income and capital appreciation to returns



Source: Investec Asset Management, Bloomberg. 30.11.1998 to 30.11.2018

Investec Diversified Income Fund

Key benefits

Characteristics

- 1 Defensive return fund:**
Aiming for attractive income with capital growth over the long term
- 2 Attractive, sustainable yield:**
Targets 4-6% p.a. distributed monthly*
- 3 'Bond-like' volatility:**
Targets less than half the volatility of UK equities

How we do it

- A Resilient portfolio built from the bottom up**
- B Structurally diversified and actively managed**
- C Focus on limiting downside risks**

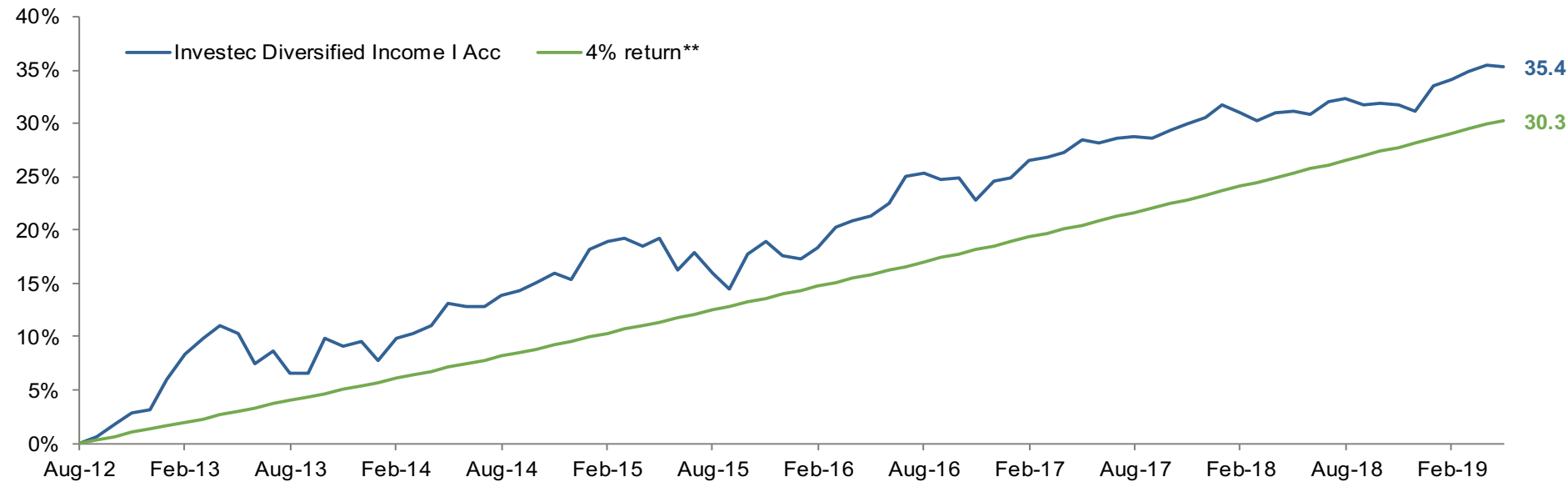
Can be used as a defensive alternative or source of income

*Performance targets may not necessarily be achieved, losses may be made. The amount of income may rise or fall. These internal parameters are subject to change not necessarily with prior notification to shareholders. UK Equities defined as FTSE All Share TR

Defensive returns

Aiming for attractive income with capital growth over the long term

Cumulative performance in GBP



	3 months	YTD	1 year	3 years p.a.	5 years p.a.	Since Inception p.a.*
Investec Diversified Income I Acc	1.0%	3.2%	3.2%	3.7%	3.7%	4.6%

	2012 (Sep)	2013	2014	2015	2016	2017	2018	2019 (YTD)
Investec Diversified Income I Acc	3.2%	6.2%	5.3%	2.0%	5.9%	4.8%	0.4%	3.2%

Past performance is not a reliable indicator of future results, losses may be made.

Source: Morningstar, 31 May 2019. Performance is net of fees (NAV based, including ongoing charges), gross income reinvested (net of UK basic rate tax pre 5 April 2016), in GBP.

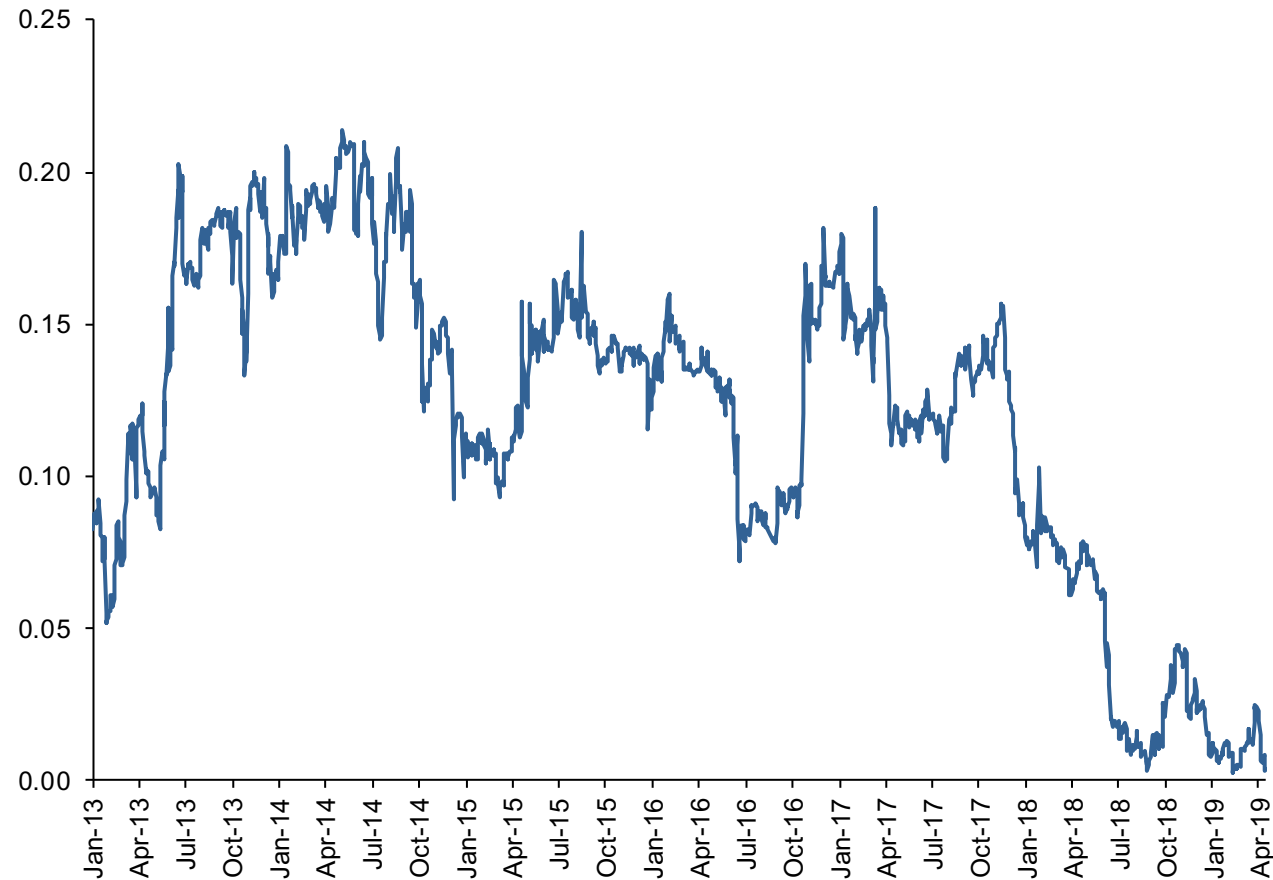
* Inception date 03 September 2012. Prior to this date, the fund was called Managed Distribution, and was managed to a different investment objective.

** For illustrative purposes only.

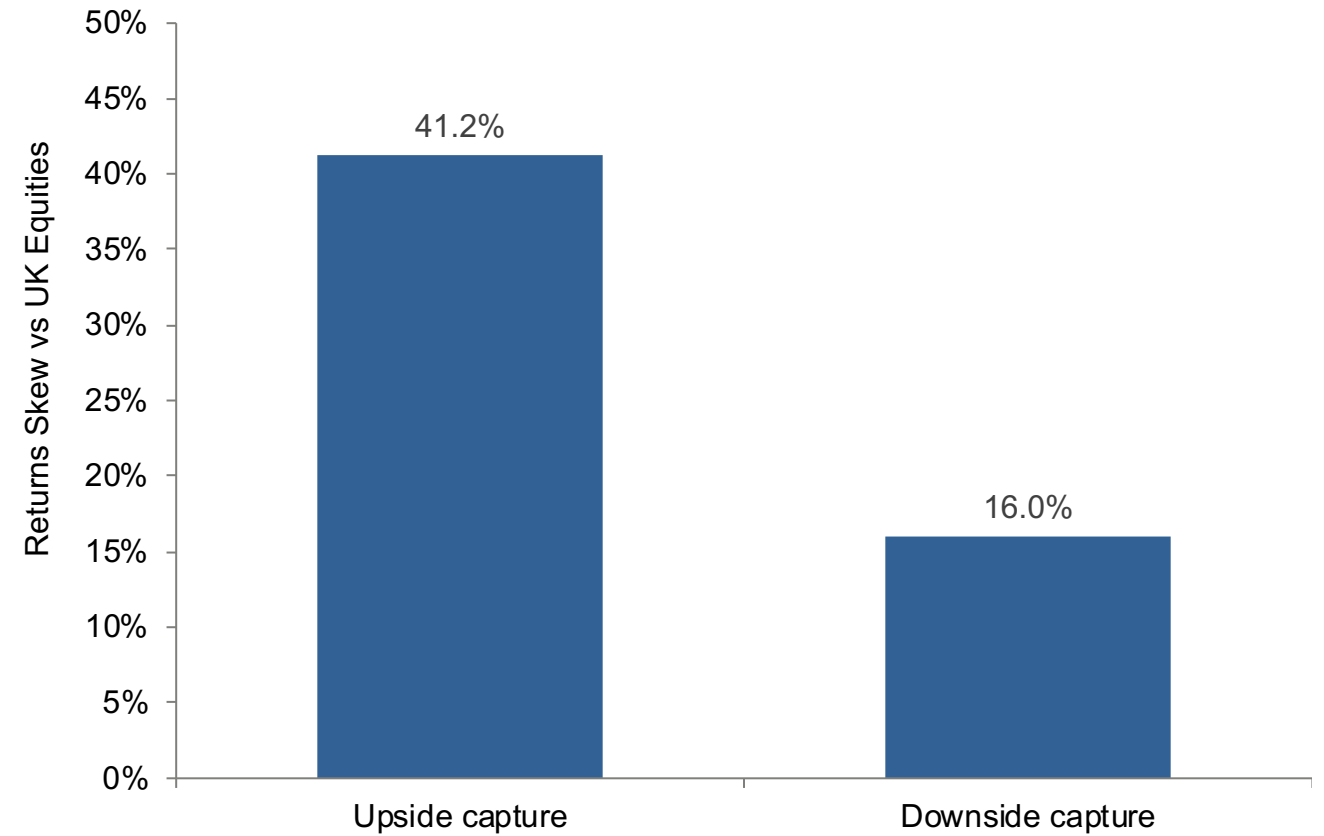
Defensive returns

Fund has ability to manage correlation

Low and controlled beta*



Takes more upside than downside**



Past performance is not a reliable indicator of future results, losses may be made.

*Source: Bloomberg, 26 April 2019

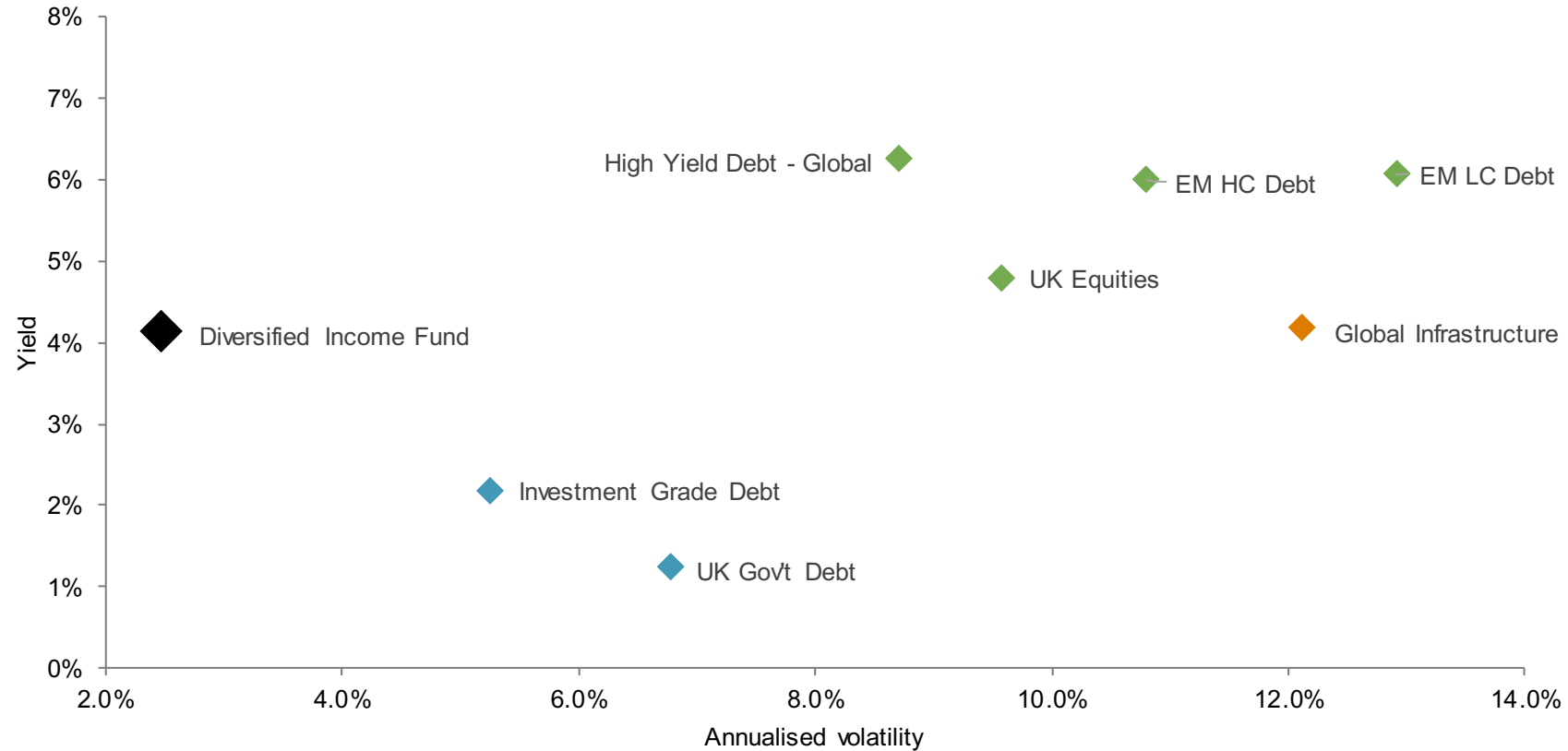
**Investec Diversified Income Fund average monthly gain and loss as a proportion of UK Equities average gain and loss. Source: Investec Asset Management, in GBP gross of fees and taxes with income reinvested, UK Equity returns are for FTSE All Share Index, from 1 September 2012 to 31 May 2019.

For further information on indices, please see the Important Information section.

Lower volatility

Targets less than half the volatility of UK equities

Yield vs. volatility



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Source: Morningstar, Bloomberg, BofA Merrill Lynch, Investec Asset Management, in GBP, 31 May 2019. Annualised standard deviation of monthly returns over 3 years.

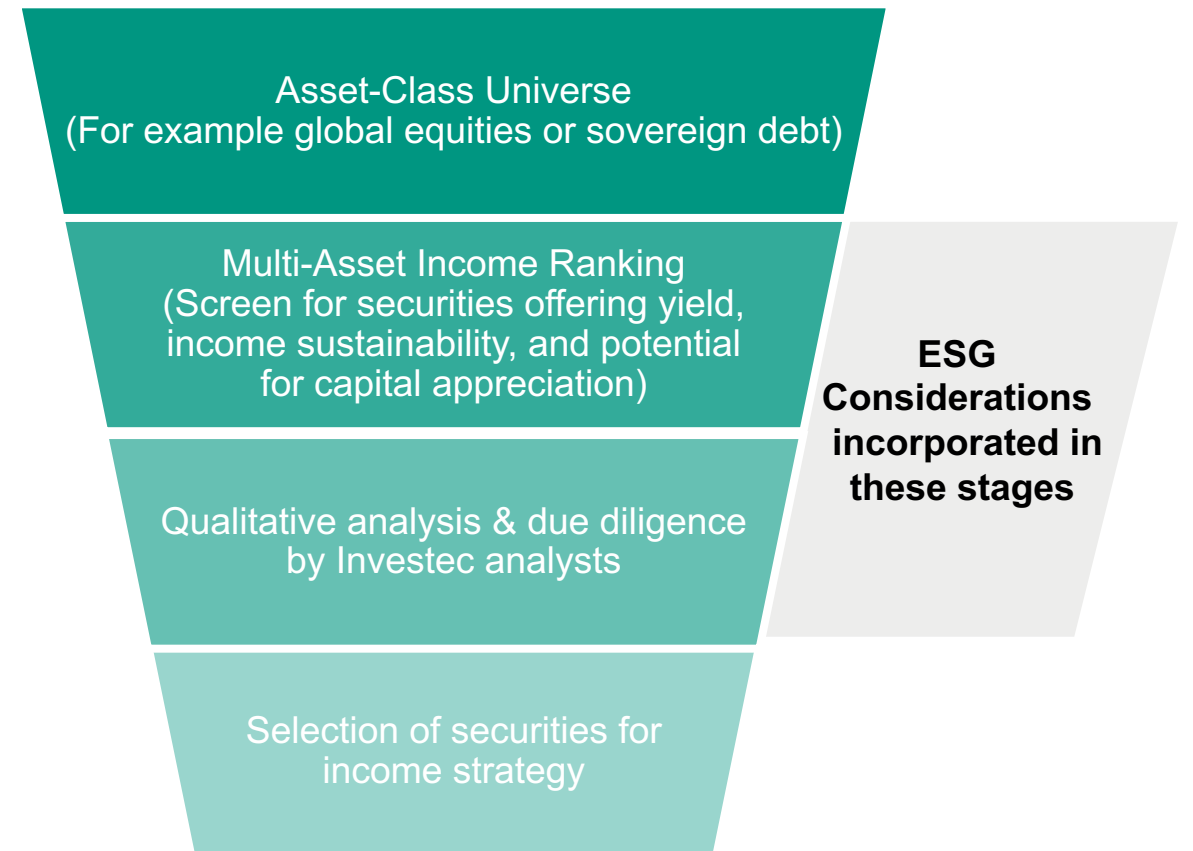
Investment Grade Debt: BofAML Sterling NonGilts TR GBP; UK Gov't Debt: FTSE Gilts All Stocks TR GBP; EM HC Debt: JPMorgan EMBI Global Diversified;

EM LC Debt: JPMorgan GBI-EM Global Diversified; Global Infrastructure: S&P Global Infrastructure TR USD; High Yield Debt - Global: BofAML Global High Yield TR USD; UK Equities: FTSE All-Share TR; Diversified Income Fund: Distribution Yield and volatility of I Inc-2 share class.

Look for resilience from the bottom-up

Security selection is about more than high yields

YIELD GROUP	1	2	3	4	5	6	7	8	9	10
Annualised return %	7	1	4	2	3	8	5	9	6	10
Volatility	8	3	2	1	5	4	6	7	9	10
Max drawdown %	10	8	7	3	1	4	2	5	6	9



Focus on the level and quality of cashflow

Over the past 20 years stocks in the S&P 500 were grouped into 10 groups ranging from Group 1 (the highest 50 yielding stocks) to Group 10 (the lowest 50 yielding).
Source: Investec Asset Management, Bloomberg, November 2018. For illustrative purposes only

Differentiated positions

Adopt an unconstrained approach

Equities (44 securities)	Fund holdings	MSCI World
Return on Equity	26%	14%
Forward P/E	13x	14x

High Yield (31 securities)	Fund holdings	BoAML Global High Yield
USD exposure	74.4%	80.1%
CCC and below	3.3%	9.4%

EMD (36 securities)	Fund holdings	JPM EMD (Hard and Local)**
Duration (Years)	0.4	5.7
EM FX	3.1%*	62.3%

Sovereign Debt (23 securities)	Fund holdings	Citi G7
Proportion with negative yield	0%	20%
Duration (Years)	0 (hedged)	8
AA and above	100%	68%

Infrastructure (3 securities)	Fund holdings	S&P Global Infrastructure
Beta to equities	0.3	0.5
Energy exposure	0%	18%

REITs (10 securities)	Fund holdings	FTSE/EPRA Developed REITs
Beta to bonds	0.1	1.0
Return on Equity	15%	11%

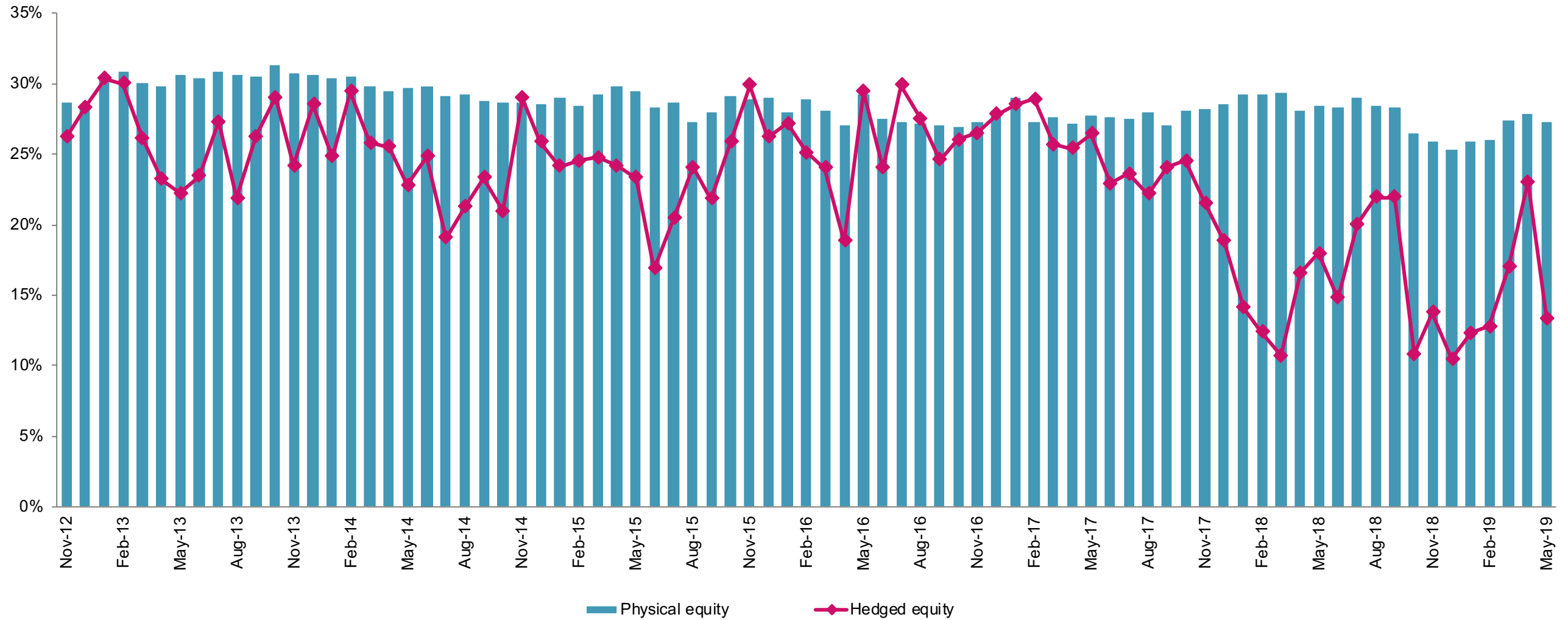
Individual securities look different to their asset class

Past performance is not a reliable indicator of future results, losses may be made.

Source: Investec Asset Management, Bloomberg, JP Morgan, 31 December 2018. Bond exposures use market values. * Net EM exposure at fund level. ** Duration weighted for EMBI Global Diversified (USD/hard) and GBI-EM Global Diversified (local currency). EM FX is proportion of total in GBI-EM Global Div. For further information on indices and investment process, please see the Important Information section.

Correlation management

Monitoring the risk environment

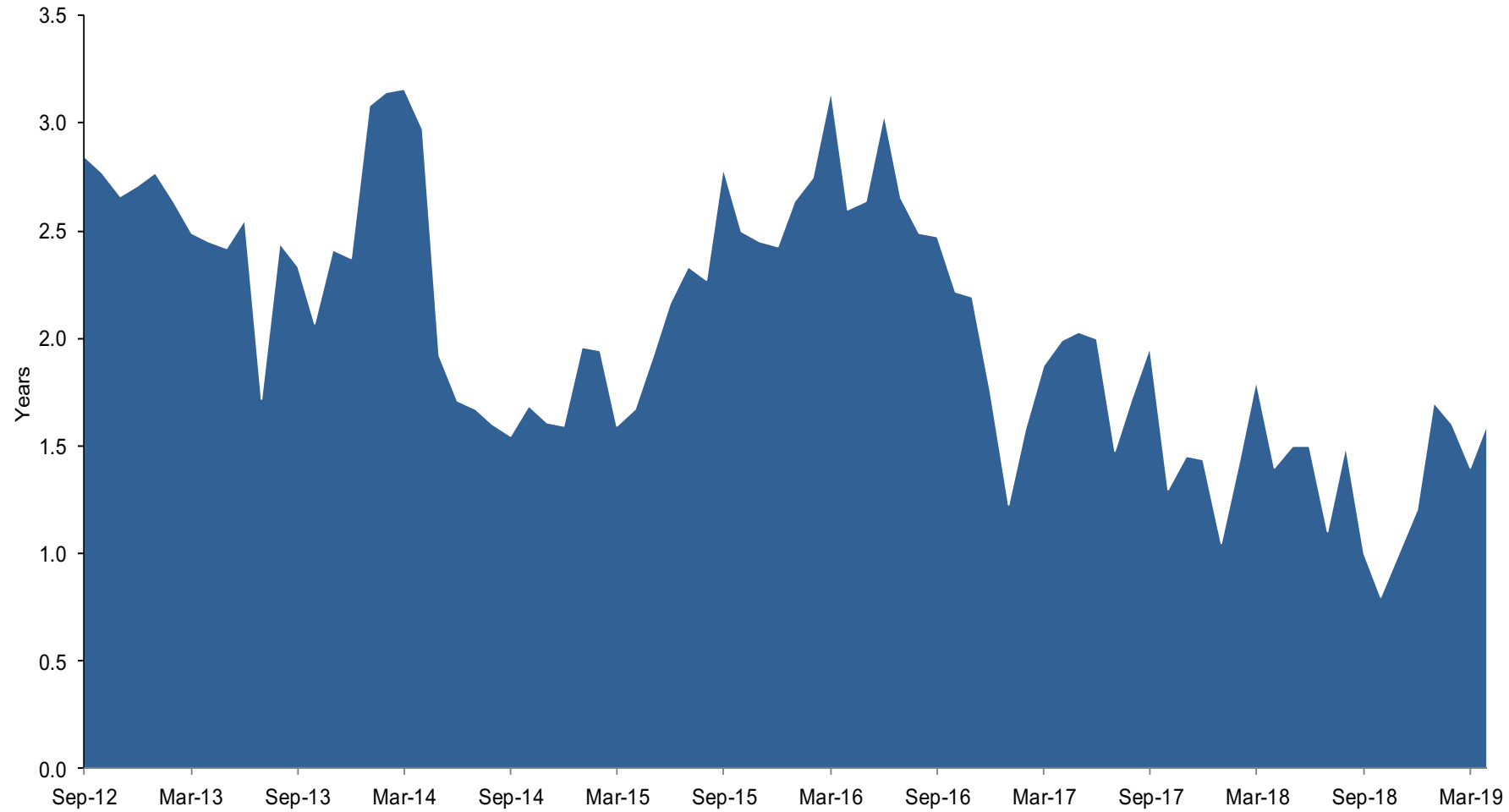


Source: Investec Asset Management, 31 May 2019. Where there is a large cash in/out flow for month end, chart displays next suitable period.

Beyond just equities

Bond risk management

DIF Duration

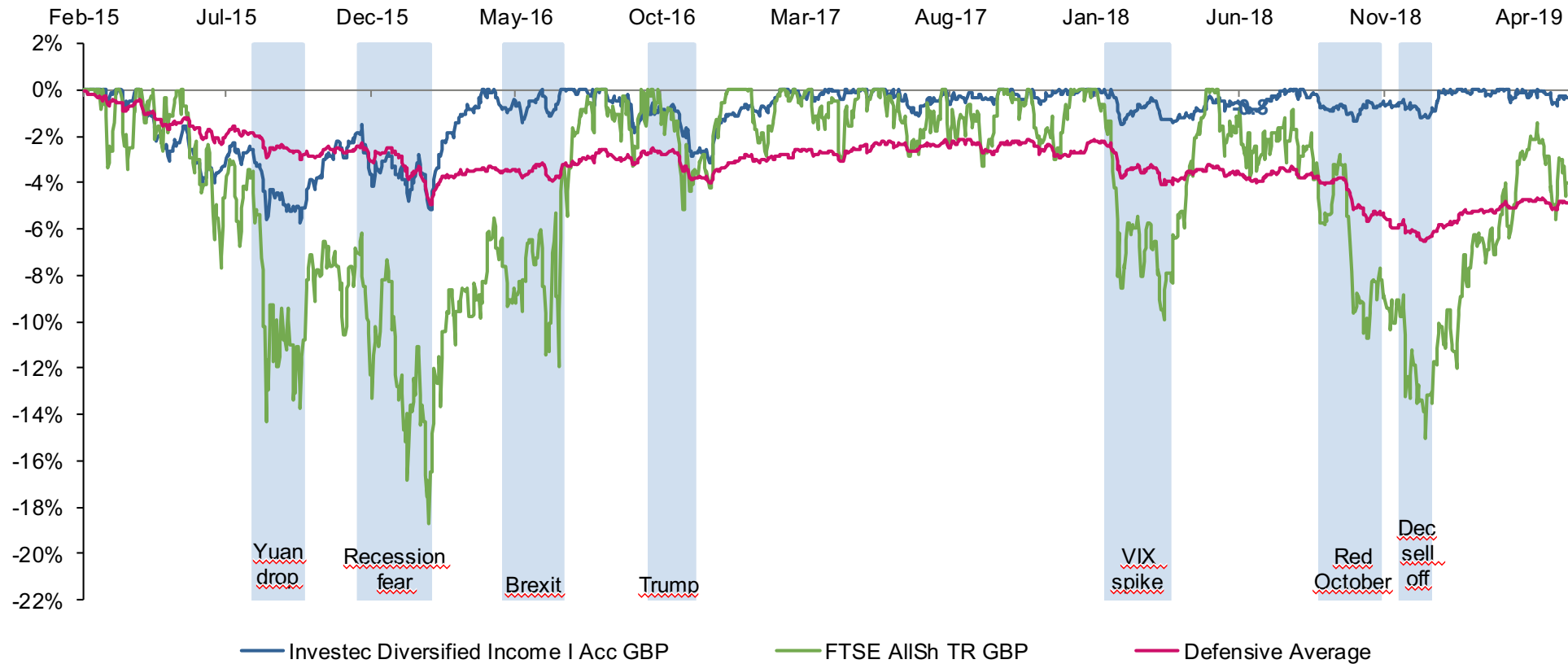


Source: Investec Asset Management, 30 April 2019

For lower drawdown

Guarding against market risks

Peak to trough performance during drawdown episodes



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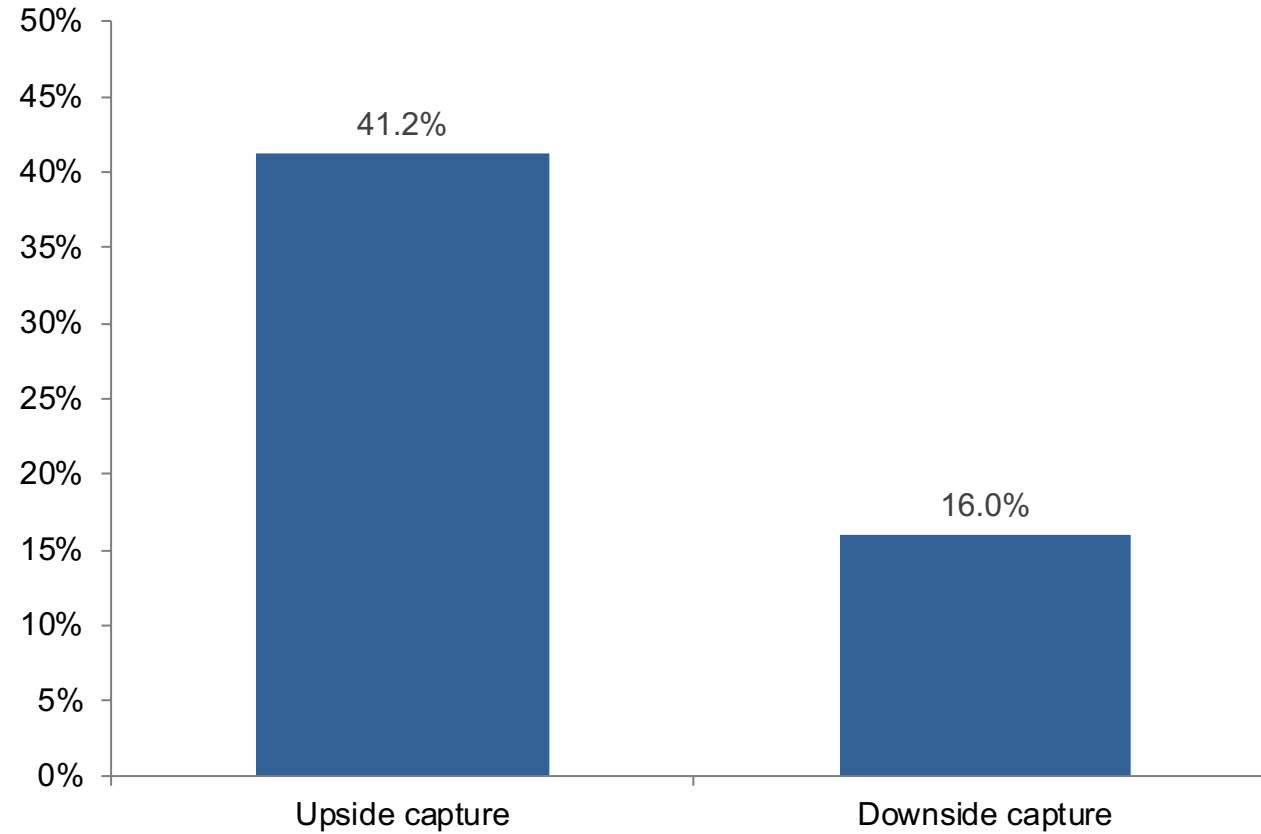
Calendar year % returns for the Fund, Index and Defensive Peer Average, respectively **2018**: 0.41, -9.47, -2.97. **2017**: 4.82, 13.10, 3.89. **2016**: 5.92, 16.75, 2.18. **2015**: 1.97, 0.98, 2.30. **2014**: 5.32, 1.18, 3.15.

Source: Morningstar, 31 May 2019. Performance is net of fees (NAV based, including ongoing charges), gross income reinvested (net of UK basic rate tax pre 5 April 2016) in GBP. The Defensive Average is the sector average of IA Targeted Absolute Return sector. For further information on indices, please see the Important Information section.

With attractive skew

Better upside than downside capture since inception

Attractive upside skew versus UK equities



Positive skew is helpful in compounding returns over time

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Investec Diversified Income Fund average monthly gain and loss as a proportion of UK Equities average gain and loss.

Source: Investec Asset Management, in GBP gross of fees and taxes with income reinvested, UK Equity returns are for FTSE All Share Index, from 1 September 2012 to 30 April 2019.

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Performance Target

The target is based on Manager's good faith estimate of the likelihood of the performance of the asset class under current market conditions. There can be no assurances that any Fund will generate such returns, that any client or investor will achieve comparable results or that the manager will be able to implement its investment strategy. Actual performance of Fund investments and the Fund overall may be adversely affected by a variety of factors, beyond the manager's control, such as, political and socio-economic events, adverse changes in the interest rate environment, changes to investment expenses, and a lack of suitable investment opportunities. Accordingly, target returns may be expected to change over time and may differ from previous reports.

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Yield

The yield reflects the amount that may be distributed over the next 12 months as a percentage of the Fund's net asset value per share, as at the date shown, based on a snapshot of the portfolio on that day. Where there is a yield number in brackets, it is calculated in the same way. However, as the charges of the share class are deducted from capital rather than income, it shows the level of yield had these charges been deducted from income. This has the effect of increasing the income payable whilst reducing capital to an equivalent extent. Yields do not include any preliminary charge and investors may be subject to tax on their distributions.

Thank you

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