OEIC

Investec Funds Series ii A UK based Investment Company

Annual short report | For the year ended 31 December 2013

Out of the Ordinary®

Investec Asset Management

Contents

Investec Funds Series ii

Short report for the year ended 31 December 2013

Introduction

Our commitment to you

Our objective is to deliver superior returns from distinctive funds that satisfy a range of investment objectives and always to provide 'out of the ordinary' service. We know that we cannot guarantee results. What we can promise is that we will give our very best every step of the way.

Short report

The short report for the Investec Funds Series ii (the Company) is sent to you twice a year in February and August. A longer version, the long form Report and Accounts, is also produced and is available upon request. Both the short and the long reports are also available on our website www.investecassetmanagement.com.

This short report contains key information on each individual fund. This includes a description of the fund's investment objective and policy, a record of its performance over the reporting period and how it is being invested and managed. We also outline the risk and reward profile, costs that have been incurred and an outlook for the asset class or market. We hope that you find the report interesting and helpful.

Up to date fund prices are available online at www.investecassetmanagement.com.

If you hold shares in any of the sub-funds in Investec Funds Series i, Investec Funds Series iii or Investec Funds Series iv, the next short reports will be sent to you towards the end of the months stated below:

Investec Funds Series i May 2014	Investec Funds Series iii April 2014	Investec Funds Series iv July 2014
Cautious Managed Fund	Emerging Markets Local Currency Debt Fund	Capital Accumulator Fund
Diversified Income Fund	Global Bond Fund	Diversified Growth Fund
Enhanced Natural Resources Fund	Global Dynamic Fund	Emerging Markets Blended Debt Fund
Managed Growth Fund	Global Equity Fund	Emerging Markets Equity Fund
Strategic Bond Fund	Global Gold Fund	Global Franchise Fund
UK Alpha Fund		Global Special Situations Fund
UK Blue Chip Fund		Multi-Asset Protector Fund
UK Smaller Companies Fund		Multi-Asset Protector Fund 2
UK Special Situations Fund		Short Dated Bond Fund
		Target Return Fund

Please do not hesitate to call us on **020 7597 1900** if you have any questions.

Telephone calls may be recorded for training and quality assurance purposes.

Performance overview

	5 years to 31.12.13	2013	2012	2011	2010	2009
		Calendar year performance (%)				
Fund versus IMA sector						
Investec American Fund(1)	58.9	25.9	-0.8	-13.9	13.9	29.7
IMA North America	*94.1*	*31.3*	*7.5*	*-1.9*	*17.7*	*19.1*
Investec Asia ex Japan Fund(1)	108.0	3.8	16.5	-15.3	31.3	54.6
IMA Asia Pacific Excluding Japan	*84.5*	*2.2*	*16.7*	*-16.4*	*21.4*	*52.4*
Investec Global Energy Fund(1)	49.2	14.3	-2.9	-12.9	15.0	34.3
Investec Global Free Enterprise Fund(1)	80.1	27.3	12.9	-8.8	15.0	19.4
IMA Global	*71.8*	*21.8*	*9.8*	*-9.5*	*15.5*	*22.8*
Investec Monthly High Income Fund(2)	83.0	3.3	17.5	-5.3	11.4	43.0
IMA £ High Yield	*94.8*	*6.6*	*18.2*	*-4.2*	*10.6*	*45.9*
World market indices						
Bank of America Merrill Lynch European Currency Non-Financial High Yield Constrained GBP Hedged(3)	178.1	9.4	26.0	-2.7	16.3	78.3
MSCI AC Asia ex Japan NDR	86.3	1.2	17.0	-16.7	23.4	53.2
MSCI AC World NDR (MSCI World NDR pre 01.01.11)	66.6	20.5	11.0	-6.7	15.3	15.7
MSCI AC World Energy NDR (MSCI World Energy NDR pre 01.09.12)	43.8	11.5	-1.5	0.9	15.4	12.4
S&P 500 NDR	91.7	29.1	10.2	2.2	18.0	11.8

All figures shown are percentages for the stated period. Past performance should not be taken as a guide to the future and there is no guarantee that this investment will make profits. Returns will vary with market movement, fee levels and taxes and in certain market conditions losses may be exaggerated.

Source: Lipper, total return, net of UK basic rate tax, no initial charges, net of fees in GBP. Index shown for performance comparison purposes only.

(1) 'A' net accumulation shares,
(2) 'A' net income shares,
(3) Pre 01.06.12 index was the Merrill Lynch European Currency High Yield Constrained (Hedged GBP)

The performance of other sub-fund 'A', 'B', 'I', 'R' or 'S' share classes would be similar to that of the above share classes but will differ according to the taxation and fees charged.

American Fund

Summary of the Fund's investment objective and policy

The Fund aims to grow the value of your investment over the long term.

The Fund invests primarily in the shares of US companies and in related derivatives (financial contracts whose value is linked to the price of an underlying asset).

The Investment Manager is free to choose how the Fund is invested and does not manage it with reference to an index.

Full details on this Fund's investment objective and policy can be found in the Prospectus.

Fund facts

Interim/Annual accounting dates	Income payment dates
30 June, 31 December	28 February

Share class	Ongoing charges as per the Key Investor Information Document (%) 2013	2012
`A` Class - accumulation	1.59	1.62
`A` Class - accumulation GBP hedged	1.64	1.67
`A` Class - accumulation USD	1.59	1.62
`B` Class - accumulation	1.34	1.37
`I` Class - accumulation	0.84	0.87
`R` Class - accumulation*	1.09	n/a
`S` Class - accumulation	0.09	0.12

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund and is based on the expenses of the Fund's Annual Report and Accounts.

*The OCF shown here is an estimate of the charges, as the share class was only recently launched.

The Fund's Annual Report and Accounts for each financial year will include details on the exact charges made.

For more information about charges, please see section 7 of the Investec Fund Series ii Prospectus.

Summary

Distributions

Share class	Distributions as at 31.12.13	Distributions as at 31.12.12
'A' Class – accumulation	-	-
'A' Class – accumulation GBP Hedged	-	-
'A' Class – accumulation USD	-	-
'B' Class – accumulation	0.33p	0.32p
'I' Class – accumulation	0.79p	0.71p
`R` Class - accumulation	0.57p	n/a
'S' Class – accumulation	1.93p	1.72p

Performance

Share class	Net Asset Value per share as at 31.12.13	Net Asset Value per share as at 31.12.12
'A' Class – accumulation	188.36p	149.70p
'A' Class – accumulation GBP Hedged	158.24p	123.06p
'A' Class – accumulation USD	311.54c	242.02c
'B' Class – accumulation	192.94p	152.97p
'I' Class – accumulation	121.50p	95.85p
`R` Class - accumulation	123.92p	n/a
'S' Class – accumulation	142.18p	111.34p

c = cent

p = pence

Share price range

American Fund 'A' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	192.95	176.28	186.66
Lowest Price	152.89	143.20	134.54
Net revenue per accumulation share	-	-	-

	2010	2009
Highest Price	176.48	157.02
Lowest Price	143.85	96.75
Net revenue per accumulation share	-	0.74

American Fund 'A' Class (Accumulation shares) (GBP Hedged)(1)

Calendar year	2013†	2012	2011
Highest Price	157.98	141.54	153.42
Lowest Price	126.13	112.46	104.86
Net revenue per accumulation share	-	-	-

	2010	2009
Highest Price	137.96	126.10
Lowest Price	112.60	96.87
Net revenue per accumulation share	-	0.43

American Fund 'A' Class (USD Accumulation shares)(2)

Calendar year	2013 †	2012	2011
Highest Price	311.37	254.75	-
Lowest Price	249.20	221.77	-
Net revenue per accumulation share	-	-	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per accumulation share	-	-

American Fund 'B' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	197.42	179.77	189.83
Lowest Price	156.21	146.11	137.04
Net revenue per accumulation share	0.33	0.32	-

	2010	2009
Highest Price	179.41	159.23
Lowest Price	146.11	97.80
Net revenue per accumulation share	0.02	1.07

American Fund 'I' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	124.05	112.21	117.88
Lowest Price	97.88	91.30	85.34
Net revenue per accumulation share	0.79	0.71	0.15

	2010	2009
Highest Price	111.37	98.61
Lowest Price	90.62	60.48
Net revenue per accumulation share	0.27	0.87

American Fund 'R' Class (Accumulation shares)(3)

Calendar year	2013†	2012	2011
Highest Price	126.56	-	-
Lowest Price	100.00	-	-
Net revenue per accumulation share	0.57	-	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per accumulation share	-	-

American Fund 'S' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	144.73	129.58	134.97
Lowest Price	113.70	105.60	98.21
Net revenue per accumulation share	1.93	1.72	1.15

	2010	2009
Highest Price	127.32	111.59
Lowest Price	103.28	67.91
Net revenue per accumulation share	1.42	1.82

† Up to 31 December 2013
(1) Launched 7 May 2009
(2) Launched 8 May 2012
(3) Launched 2 January 2013

Performance record

The 'A' shares of the Fund returned 25.9% in the 12 months to 31 December 2013*. Over the same period the Standard & Poor's 500 NDR Index returned 29.1%** while the IMA North America sector returned 31.3%**.

Although the majority of stocks in the portfolio outperformed the performance comparison index during the period under review, overall performance was held back by the weak performance of the gold mining stocks held in the Fund. In addition, higher cash levels acted as a drag on returns as over the course of the year, our search for value became more difficult and, as we found more holdings reaching our review prices than new opportunities offering compelling value, liquidity in the portfolio rose.

One of the stand-out stocks during the period under review was Graham Holdings (formerly known as The Washington Post Company), partly due to the announcement that the newspaper has been sold to Amazon's chief executive, Jeff Bezos, for US$250 million. Without the paper, the company's future becomes ever more reliant on its education business, Kaplan, which has shown some signs of stabilisation, if not yet recovery, in recent quarters. While some have speculated as to whether chairman and chief executive officer Donald Graham will be tempted to try and turn the cash-rich group into a Warren Buffett-style 'mini Berkshire Hathaway', we hope that management's primary focus will be to turn Kaplan around.

The last year also saw investors taking an ever more positive view on the oil refiners, including Valero Energy. Based in Texas, Valero has a particularly strong presence on the Gulf Coast and is finding itself well placed to benefit from the current trends in the oil market. In particular, the significant increase in US oil production in recent years has opened up a discount between the price of West Texas Intermediate (WTI) and Brent crude oil. With continued growth from shale exploitation likely, the US refining industry is on course to enjoy a structural cost advantage which could allow it to capture market share from its global peers.

Southwest Airlines has also enjoyed a significant change in the value of its share in recent months. The low-cost airline has slowly seen its valuation premium (the excess in value that a buyer estimates for a company compared to its peers) erode over the years as investors have taken the view that the company's glory days, at least in terms of growth, are behind it. While we have some sympathy with this view, we also believe that domestic expansion remains alive and well. Moreover by 2015 the group will have begun long-haul flying from its Dallas base, with Latin America an obvious and realistic target. In the short term, the company has been boosted by improved pricing and an enhancement in small business traffic.

American Fund (continued)

During the year we reduced our exposure to gold mining equities. With the dramatic weakness in these companies' share prices over the last year, and the pressure this has placed on performance, this was not a decision taken lightly. Given the unpredictable gold price, putting a firm value on gold and, therefore, a value on gold-related companies, is problematic. Thus, the Fund's exposure to Barrick Gold and Newmont Mining was terminated during the summer. However, given its relatively strong balance sheet, we maintained a position in Kinross Gold.

Meanwhile, Avon Products suffered a reality check in its recovery aspirations. Management had already warned that turnarounds are not straightforward, and this certainly proved to be the case. Both sales and earnings have recently fallen below expectations, cashflow has been weak and there has been further negative commentary regarding regulatory issues. The potential for being a better managed and more profitable company remains, but the realisation of this has been delayed.

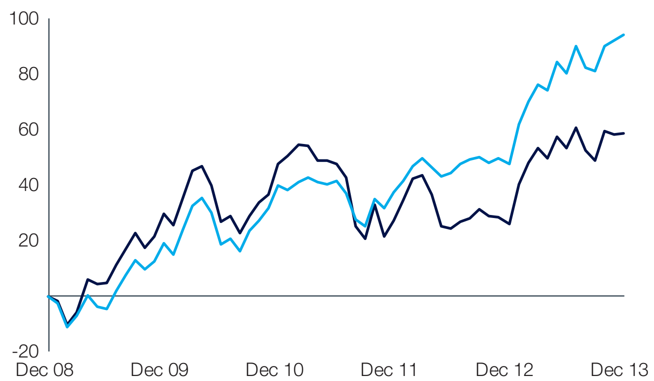
Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:
United States Treasury Inflation Indexed Bonds 1.125% 15/01/2021, Carnival, Washington Federal, WellPoint, Northern Trust, MDC.

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:
Dell, Symantec, Pfizer, Johnson & Johnson, Valero Energy, Medtronic, United States Treasury Inflation Indexed Bonds 1.125% 15/01/2021, Expedia, MDC, Newmont Mining.

*Source: Lipper, total return, net of UK basic rate tax, no initial charge, accumulation share class (acc), net of fees in sterling.

**Index and peer group shown for performance comparison purposes only.

5 year performance graph (%)



American Fund 'A' Acc Shares: 58.9%
IMA North America Sector: 94.1%

Past performance will not necessarily be repeated.

Source: Lipper, 31.12.08 to 31.12.13, total return net of UK basic rate tax, no initial charges, net of fees, in sterling.

IMA sector shown for performance comparison only.

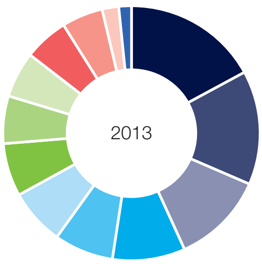
Portfolio analysis

Top 10 holdings (%)

Security	31.12.13
United States Treasury Inflation Indexed Bonds 1.125% 15/01/2021	6.0
Zimmer	4.6
Carnival	4.6
Graham	4.4
Medtronic	4.0
Cisco Systems	3.9
DST Systems	3.5
Avon Products	3.4
Baker Hughes	3.4
Southwest Airlines	3.3

Security	31.12.12
Pfizer	4.8
Medtronic	4.7
Zimmer	4.4
Merck & Co	4.0
Cisco Systems	3.6
Newmont Mining	3.4
Washington Post	3.4
Wal-Mart Stores	3.4
Johnson & Johnson	3.2
MDC	3.2

Investments (%)



	31.12.13	31.12.12
Health Care	17.1	21.0
Technology	14.4	18.1
Travel & Leisure	11.7	8.7
Oil & Gas	9.2	6.4
Personal & Household Goods	7.5	7.6
Media	7.1	5.4
Net other assets	6.7	8.2
Government Bonds	6.0	-
Retail	5.8	6.8
Banks	5.6	-
Industrial Goods & Services	5.2	4.6
Food & Beverage	2.1	3.0
Basic Resources	1.6	8.4
Utilities	-	1.8

Outlook

Expensive markets coupled with bullish investors (those who expect share prices to rise) have created a hostile market environment for value-seeking investors. Over the last year, we have found more holdings reaching fair value (the estimated value of an asset) than new opportunities offering compelling upside potential. Experience tells us to be patient but it's not always easy and we have sympathy with those who have chosen to change tack. Late last year, Hugh Hendry, manager at Eclectica Asset Management, wrote that he "cannot look at myself in the mirror", as he admitted he was turning from bear to bull. Meanwhile, Jeremy Grantham of GMO, commented that equities were overvalued but that "the path of least resistance for the market will be up".

What binds their views together is the belief that the monetary authorities will continue to pump new money into the financial system, and that there are only so many places this money can go. Indeed, Hendry believes that far from the US Federal Reserve scaling back its bond buying programme, provoking a market correction, "the greater peril is that the current backdrop will turn out to mark a rapid acceleration in the ongoing move to the upside". He is recalling the late 1990s, with January 2014 feeling a lot like January 1998, where an already overvalued market was propelled higher as monetary authorities responded to events such as the Asian financial crisis and the collapse of renowned hedge fund, Long-Term Capital Management, by ensuring too loose a monetary policy.

January 1998 is indeed a propitious comparator – it marked the first time in living memory that the price-to-sales ratio (a much used valuation metric) of the Standard & Poor's Index reached 1.7x, a level it is within spitting distance of today. Of course, neither ourselves, nor Grantham and Hendry, know how the market will unfold this year. But over longer time periods, valuation is a powerful guide to future returns – if you are prepared to be patient. The current valuation of the market today implies a return of circa 5% per annum (probably not what most equity participants are hoping for). In the ten years from January 1998, the annualised return came to 5.9%, although during the first half of this 10-year period the market generated a negative total return (before taking off in 2003).

The opinions expressed herein are as at January 2014.

Risk and Reward profile*

Lower risk Potentially lower rewards						Higher risk Potentially higher rewards
1	2	3	4	5	**6**	7

This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk and reward category shown is not guaranteed to remain unchanged and may shift` over time. The lowest category does not mean 'risk free'.

The value of your investment can fall as well as rise and you are not certain of making profits; losses may be made.

The Fund appears towards the higher end of the Risk and Reward Indicator scale. This is because it invests in the shares of companies, whose values tend to fluctuate more widely.

The following risks may not be fully captured by the Risk and Reward Indicator:

- The investments of the Fund are primarily concentrated in one country. This may mean that there are times when the value of the Fund decreases even while more broadly invested funds are growing.
- Changes between the values of different international currencies may adversely affect the value of the Fund's investments and any related income.

The Risk and Reward profile is taken from the Key Investor Information Document.

The full list of the Fund's risks are contained in Appendix VII of the Investec Funds Series ii Prospectus.

*Please note that the Risk and Reward profile section is based on sterling 'A' class accumulation shares.

Report and Accounts

Please contact Investec Fund Managers Limited for the long form Report and Accounts of the OEIC.

American Fund (continued)

Other information

After consultation with the Depositary and in accordance with the requirements of Section 4.3 of the COLL, shareholders were given notice of the following:

- On 31 January 2013 notice that the Authorised Corporate Director (ACD) may redeem shareholdings below £20 in value (or an equivalent amount in the currency of the share class and not denominated in sterling) and pay the proceeds to a registered charity of its choice.
- On 31 July 2013 of the removal of publication of fund share prices from the Financial Times, effective 1 December 2013.

Other relevant changes:

- American, R Accumulation Net, GBP share class was launched on 2 January 2013.
- The fees of rating agencies was added to the list of fees that may be taken from the general administration charge to the prospectus effect from 7 June 2013.
- The ICE Futures Canada Exchange, ICE Futures USA Exchange and ICE Futures Europe exchange were added to the Prospectus as eligible derivatives markets for the American Fund with effect from 4 October 2013.
- The minimum redemption amount for 'S' share class was reduced from £100,000,000 to £1,000.000 with effect from 4 October 2013.
- The Bulgarian Exchange and Croatia (Zagreb) Exchange were added to the prospectus as they became eligible as a result of joining EU.

There have been no fundamental changes to the Company or the Fund that required shareholder approval or any other significant other changes to the operation of the Company or Fund requiring pre-notification.

Conversion to protected cell status

From 19 February 2013 the Company took on protected status following FCA approval to the conversion. This means that from this date, under English law, the Funds are segregated portfolios of assets and the assets of a Fund now belong exclusively to that Fund. The assets of a Fund shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Share class conversion

For share class conversions within the same Fund it may be necessary, at the discretion of the ACD and only when it is in the interests of shareholders for accounting purposes to do so, to defer the completion of such conversions to a subsequent valuation point or ultimately to the valuation point immediately following the end of the relevant Fund's accounting period. If such a deferral is required, the ACD will notify the shareholder requesting the conversion as soon as practicable and will discuss with the shareholder the timing for the completion of the conversion.

Reduction of the General Administration Charge (GAC)

The GAC was reduced from 0.09% to 0.08%, effective 1 April 2013.

More information about the activities and performance of the Fund for this and previous periods can be obtained from the ACD.

Asia ex Japan Fund

Summary of the Fund's investment objective and policy

The Fund aims to grow the value of your investment over the long term.

The Fund invests primarily in the shares of companies in the Asian region (excluding Japan) and in related derivatives (financial contracts whose value is linked to the price of an underlying asset). The Fund seeks to invest in companies that are expected to benefit from Chinese economic growth and development.

The Investment Manager is free to choose how the Fund is invested. However, the MSCI All Countries Asia ex Japan Index is taken into account when the Fund's investments are selected.

Full details on this Fund's investment objective and policy can be found in the Prospectus.

Fund facts

Interim/Annual accounting dates	Income payment dates
30 June, 31 December	28 February

Share class	Ongoing charges as per the Key Investor Information Document (%) 2013	2012
\`A\` Class - accumulation	1.77	1.74
\`B\` Class - accumulation	1.52	1.49
\`I\` Class - accumulation	1.02	0.99
\`R\` Class - accumulation*	1.27	n/a
\`S\` Class - accumulation	0.27	0.24

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund and is based on the expenses of the Fund's Annual Report and Accounts.

*The OCF shown here is an estimate of the charges, as the share class was only recently launched.

The Fund's Annual Report and Accounts for each financial year will include details on the exact charges made.

For more information about charges, please see section 7 of the Investec Fund Series ii Prospectus.

Summary

Distributions

Share class	Distributions as at 31.12.13	Distributions as at 31.12.12
\`A\` Class - accumulation	3.15	2.53
\`B\` Class - accumulation	42.18	33.52
\`I\` Class - accumulation	2.86	2.37
\`R\` Class - accumulation	1.49	n/a
\`S\` Class - accumulation	8.16	7.25

Performance

Share class	Net Asset Value (p) per share as at 31.12.13	Net Asset Value (p) per share as at 31.12.12
\`A\` Class - accumulation	363.72	350.44
\`B\` Class - accumulation	3,685.20	3,541.61
\`I\` Class - accumulation	175.49	167.81
\`R\` Class - accumulation	102.80	n/a
\`S\` Class - accumulation	370.22	351.93

p = pence

Share price range

Asia ex Japan Fund 'A' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	393.82	351.77	365.36
Lowest Price	334.10	300.73	269.95
Net revenue per accumulation share	3.15	2.53	2.91

	2010	2009
Highest Price	356.70	274.08
Lowest Price	251.40	156.86
Net revenue per accumulation share	2.58	2.06

Asia ex Japan Fund 'B' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	3,982.29	3,555.30	3,678.81
Lowest Price	3,380.85	3,034.62	2,719.79
Net revenue per accumulation share	42.18	33.52	37.49

	2010	2009
Highest Price	3,586.90	2,749.08
Lowest Price	2,522.09	1,570.73
Net revenue per accumulation share	33.46	23.21

Asia ex Japan Fund 'I' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	188.85	168.42	173.00
Lowest Price	160.56	143.33	128.06
Net revenue per accumulation share	2.86	2.37	2.45

	2010	2009
Highest Price	168.35	128.72
Lowest Price	118.11	73.36
Net revenue per accumulation share	1.92	1.47

Asia ex Japan Fund 'R' Class (Accumulation shares)(2)

Calendar year	2013†	2012	2011
Highest Price	110.86	-	-
Lowest Price	94.19	-	-
Net revenue per accumulation share	1.49	-	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per accumulation share	-	-

Asia ex Japan Fund (continued)

Asia ex Japan Fund 'S' Class (Accumulation shares)(1)

Calendar year	2013†	2012	2011
Highest Price	396.78	353.36	358.96
Lowest Price	338.07	298.61	266.20
Net revenue per accumulation share	8.16	7.25	7.70

	2010	2009
Highest Price	173.84	131.71
Lowest Price	120.94	74.49
Net revenue per accumulation share	3.42	2.36

† Up to 31 December 2013
(1) Consolidation 18 July 2011
(2) Launched 2 January 2013

Performance record

The 'A' shares of the Fund returned 3.8%*, in the 12 months to 31 December 2013. Over the same period the MSCI AC Asia ex Japan NDR (net dividends reinvested) Index returned 1.2%** and IMA Asia Pacific excluding Japan returned 2.2%**.

Asian markets have significantly underperformed their developed world counterparts during 2013, leaving them trading at a record discount over the last decade. Since May 2013, when Ben Bernanke, the then US Federal Reserve (Fed) chair, began talk of tapering its bond-buying programme, the subject has dominated market sentiment. Investors had time to get used to the idea by December, when the Fed finally announced a US$10 billion reduction in its monthly purchases ending months of ongoing speculation.

The period started off on a firmer footing, with the last minute resolution of the US fiscal cliff (the simultaneous expiration of the Bush tax cuts and the automatic imposition of spending cuts in January 2013) and supportive economic data from the US and China, boosting investor sentiment.

The string of disappointing data releases over the second quarter, along with an unprecedented spike in money market interest rates in June, exacerbated concerns about the health of the Chinese economy. The Chinese central bank stepped in to contain the rise in rates but this did not prevent a further rise at the end of the year. In November, the markets welcomed reform news from China's third plenum (a closed-door economic meeting held by the Communist Party of China Central Committee which sets the agenda for the next 10 years).

Country-specific factors were a source of market instability during the period, with currency weakness in Indonesia and India, and political unrest in Thailand, which escalated in the fourth quarter. Encouragingly, concerns about India settled in the fourth quarter and the weaker rupee also lifted the outlook for exporters.

The Fund saw particularly good performances across the services, industrials and consumers sectors over the 12 month period, with the telecommunications & utilities, resources and financials sectors also adding to relative returns. However, the positive contribution was reduced by the poor performance from technology stocks.

The largest positive contributor was the services sector, which was mainly driven by our overweight position (relative to the performance comparison index) in consumer services stocks which performed very well over the period. Casino and hotel operator, Galaxy Entertainment, outperformed with positive mass market volumes in the Macau region (one of the two special administrative regions of the People's Republic of China, the other being Hong Kong). Our holdings in Hyundai Home Shopping Network and automobile manufacturer, Great Wall Motors, also contributed positively to returns. In industrials, we benefited from good stock selection within the capital goods sector. In particular our exposure to Alliance Global and Hutchison Whampoa, an investment company based in Hong Kong which saw improvements in operations in a number of its business divisions, both added to performance.

Consumer stocks performed well over the period, with good stock picking in the pharmaceuticals, biotechnology and life sciences sector providing the biggest contribution. Moreover, Indian pharmaceutical company, Aurobindo Pharma and Chinese life science company, WuXi PharmaTech both gained on strong demand growth. In resources, Malaysian electric utility, Tenaga Nasional contributed to returns with its fourth-quarter outperformance attributed to the decision by the government allowing the company to raise its prices.

Technology was the biggest detractor over the reporting period with the weaker performance from our semiconductors & semiconductor equipment and software & services holdings offsetting the gains from technology hardware & equipment stocks. Not holding Korean internet content provider, NAVER Corporation, meant the portfolio suffered after the stock performed well. Positive performance from Indian information technology outsourcing company, Tech Mahindra, was not enough to counteract the negative effect from NAVER.

In financials, the positive performance from our real estate and diversified financial holdings more than offset the negative contribution from banks and insurance stocks.

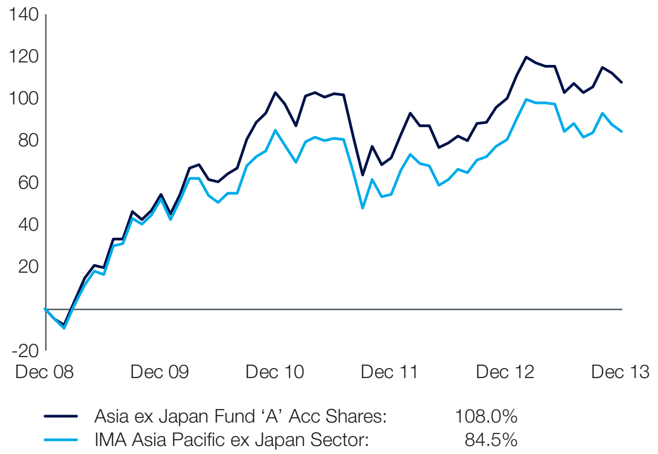
Significant purchases (2% of Net Asset Value and above or minimum five holdings) during the year comprised:
Tencent, Samsung Electronics, Ping An Insurance, Taiwan Semiconductor Manufacturing, Infosys.

Significant sales (2% of Net Asset Value and above or minimum five holdings) during the year comprised:
China Mobile, Samsung Electronics, Industrial & Commercial Bank of China, Swire Pacific, SK Innovation.

*Source: Lipper, total return, net of UK basic rate tax, no initial charge, net of fees in sterling.

**Index shown for performance comparison purposes only.

5 year performance graph (%)



Past performance will not necessarily be repeated.

Source: Lipper, 31.12.08 to 31.12.13, total return net of UK basic rate tax, no initial charges, net of fees, in sterling.

IMA sector shown for performance comparison only.

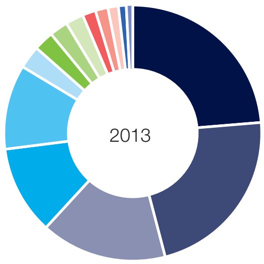
Portfolio analysis

Top 10 holdings (%)

Security	31.12.13
Samsung Electronics	5.4
Tencent	3.8
AIA	3.8
Taiwan Semiconductor Manufacturing	3.8
China Construction Bank	3.1
Hyundai Motor	3.1
CNOOC	2.8
Cheung Kong	2.7
Hutchison Whampoa	2.7
Ping An Insurance	2.6

Security	31.12.12
Samsung Electronics	7.4
China Mobile	4.6
China Construction Bank	3.1
CNOOC	3.1
Taiwan Semiconductor Manufacturing	2.9
Hyundai Motor	2.8
Industrial & Commercial Bank of China	2.8
AIA	2.7
Cheung Kong	2.3
China Petroleum & Chemical	2.2

Geographical split (%)



	31.12.13	31.12.12
China	23.7	17.3
Hong Kong	22.2	27.6
South Korea	15.9	19.8
Taiwan	11.2	10.2
India	10.6	10.5
Thailand	2.9	2.9
Malaysia	2.5	3.5
Singapore	2.3	2.1
Net other assets	2.3	1.5
United States	1.7	0.6
United Kingdom	1.6	2.0
Indonesia	1.3	0.6
Philippines	1.0	1.4
Netherlands	0.8	-

Outlook

While global equity markets enjoyed a particularly strong year (MSCI AC World index 20.5%) in 2013, Asian markets lagged with the MSCI AC Asia ex Japan Index up just 3.1%. This underperformance was largely a consequence of declining growth rates across the region, lingering fears about a slowing Chinese economy and also net investor outflows from the region into developed markets, where evidence from data points to a recovery in economic growth rates.

While developed markets have experienced re-rating activity, Asian markets have generally gone through a process of de-rating (a reduction in the value of a share). Consequently, these diverging developments have meant that the valuation of Asian markets has become more attractive, offering what we believe to be a great opportunity to the long-term investor.

In our view, the region has much to offer from an investment standpoint – not least the rising income growth and emergence of the middle classes and the resultant purchasing power they command. With economies, such as China, actively seeking to rebalance their growth models and deregulate their economy, consumption should play a greater role in contributing to growth in the medium-to-long-term. This rebalancing is evidenced by the pro-reform agenda unveiled at China's third plenum of the Central Committee of the Communist Party in November 2013.

Additionally, Asia is not encumbered by bloated public balance sheets, which has been a legacy of the global financial crisis, in the way developed economies have and continue to be. Unlike its peers in the West, Asia is generally free from restrictive austerity measures. In our view, this is a huge advantage. Asia thus has the flexibility to spend on growth and the means by which to generate growth.

At the same time, Asia should benefit from any resurgence of global activity levels in 2014 and this should fuel a recovery in regional exports. While conducive to a pick up in Asian growth rates, it is not reliant on global trends, as the (inter) regional growth outlook looks promising over the mid-term, based on favourable demographics, urbanisation, rising incomes and increased investment in infrastructure.

Asia ex Japan Fund (continued)

There are signs that the declining earnings momentum that was evident in the first half of 2013, within the region, has stabilised and some sectors of the market, such as leisure and automobiles, are seeing robust earnings growth. In our view, this combined with the de-rating activity witnessed in Asian markets through 2013, is creating a value opportunity for the long-term investor.

The opinions expressed herein are as at January 2014.

Risk and Reward profile*

Lower risk
Potentially lower rewards

Higher risk
Potentially higher rewards

1 2 3 4 5 **6** 7

This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk and reward category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean 'risk free'.

The value of your investment can fall as well as rise and you are not certain of making profits; losses may be made.

The Fund appears towards the higher end of the Risk and Reward Indicator scale. This is because it invests in the shares of companies, whose values tend to fluctuate more widely.

The following risks may not be fully captured by the Risk and Reward Indicator:

- The investments of the Fund are concentrated in one region. This may mean that there are times when the value of the Fund decreases even while more broadly invested funds are growing.
- Changes between the values of different international currencies may adversely affect the value of the Fund's investments and any related income.
- Some of the countries in which the Fund invests have less developed political, economic and legal systems. These markets carry a higher than average risk of investment and the Fund may have problems or delays in getting its investments back.

The Risk and Reward profile is taken from the Key Investor Information Document.

The full list of the Fund's risks are contained in Appendix VII of the Investec Funds Series ii Prospectus.

*Please note that the Risk and Reward profile section is based on sterling 'A' class accumulation shares.

Report and Accounts

Please contact Investec Fund Managers Limited for the long form Report and Accounts of the OEIC.

Other information

After consultation with the Depositary and in accordance with the requirements of Section 4.3 of the COLL, shareholders were given notice of the following:

- On 31 January 2013 notice that the Authorised Corporate Director (ACD) may redeem shareholdings below £20 in value (or an equivalent amount in the currency of the share class and not denominated in sterling) and pay the proceeds to a registered charity of its choice.
- On 31 July 2013 of the removal of publication of fund share prices from the Financial Times, effective 1 December 2013.

Other relevant changes:

- Asia ex Japan, R Accumulation Net, GBP share class was launched on 2 January 2013.
- The fees of rating agencies was added to the list of fees that may be taken from the general administration charge to the prospectus effect from 7 June 2013.
- The ICE Futures Canada Exchange, ICE Futures USA Exchange and ICE Futures Europe exchange were added to the Prospectus as eligible derivatives markets for the Asia ex Japan Fund with effect from 4 October 2013.
- The minimum redemption amount for 'S' share class was reduced from £100,000,000 to £1,000.000 with effect from 4 October 2013.
- The Korea Exchange was added to the prospectus as eligible derivatives markets for the Asia Ex Japan Fund with effect from 1 December 2013.
- The Bulgarian Exchange and Croatia (Zagreb) Exchange were added to the prospectus as they became eligible as a result of joining EU.

There have been no fundamental changes to the Company or the Fund that required shareholder approval or any other significant other changes to the operation of the Company or Fund requiring pre-notification.

Conversion to protected cell status

From 19 February 2013 the Company took on protected status following FCA approval to the conversion. This means that from this date, under English law, the Funds are segregated portfolios of assets and the assets of a Fund now belong exclusively to that Fund. The assets of a Fund shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Share class conversion

For share class conversions within the same Fund it may be necessary, at the discretion of the ACD and only when it is in the interests of shareholders for accounting purposes to do so, to defer the completion of such conversions to a subsequent valuation point or ultimately to the valuation point immediately following the end of the relevant Fund's accounting period. If such a deferral is required, the ACD will notify the shareholder requesting the conversion as soon as practicable and will discuss with the shareholder the timing for the completion of the conversion.

Reduction of the General Administration Charge (GAC)

The GAC was reduced from 0.09% to 0.08%, effective 1 April 2013.

More information about the activities and performance of the Fund for this and previous periods can be obtained from the ACD.

Global Energy Fund

Summary of the Fund's investment objective and policy

The Fund aims to grow the value of your investment over the long term.

The Fund invests around the world primarily in the shares of companies and in related derivatives (financial contracts whose value is linked to the price of an underlying asset). The companies are those that are involved in the exploration, production or distribution of oil, gas and other energy sources or those that service the energy industry.

The Investment Manager is free to choose how the Fund is invested and does not manage it with reference to an index.

Full details on this Fund's investment objective and policy can be found in the relevant Prospectus.

Fund facts

Interim/Annual accounting dates	Income payment dates
30 June, 31 December	28 February

	Ongoing charges as per the Key Investor Information Document (%)	
Share class	2013	2012
\`A\` Class - accumulation	1.62	1.62
\`A\` Class - accumulation USD	1.62	1.62
\`I\` Class - accumulation	0.87	0.87
\`R\` Class - accumulation*	1.12	n/a
\`S\` Class - accumulation	0.12	0.12

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund and is based on the expenses of the Fund's Annual Report and Accounts.

*The OCF shown here is an estimate of the charges, as the share class was only recently launched.

The Fund's Annual Report and Accounts for each financial year will include details on the exact charges made.

For more information about charges, please see section 7 of the Investec Fund Series ii Prospectus.

Summary

Distributions

Share class	Distributions as at 31.12.13	Distributions as at 31.12.12
\`A\` Class - accumulation	1.06p	0.60p
\`A\` Class - accumulation USD	1.77c	1.35c
\`I\` Class - accumulation	3.10p	2.45p
\`R\` Class - accumulation	1.07p	n/a
\`S\` Class - accumulation	3.24p	2.63p

Performance

Share class	Net Asset Value per share as at 31.12.13	Net Asset Value per share as at 31.12.12
\`A\` Class - accumulation	250.74p	219.41p
\`A\` Class - accumulation USD	414.31c	354.65c
\`I\` Class - accumulation	266.91p	231.85p
\`R\` Class - accumulation	111.39p	n/a
\`S\` Class - accumulation	168.33p	145.13p

c = cent
p = pence

Share price range

Global Energy Fund 'A' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	265.63	257.26	290.20
Lowest Price	226.27	198.80	192.06
Net revenue per accumulation share	1.06	0.60	1.35

	2010	2009
Highest Price	260.33	233.66
Lowest Price	206.97	152.46
Net revenue per accumulation share	1.14	2.50

Global Energy Fund 'A' Class (USD Accumulation shares)(1)

Calendar year	2013†	2012	2011
Highest Price	426.68	406.67	-
Lowest Price	348.05	310.89	-
Net revenue per accumulation share	1.77	1.35	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per accumulation share	-	-

Global Energy Fund 'I' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	282.40	270.11	302.63
Lowest Price	239.08	209.24	201.06
Net revenue per accumulation share	3.10	2.45	3.37

	2010	2009
Highest Price	270.95	241.03
Lowest Price	214.88	152.46
Net revenue per accumulation share	2.90	4.04

Global Energy Fund 'R' Class (Accumulation shares)[2]

Calendar year	2013†	2012	2011
Highest Price	117.91	-	-
Lowest Price	100.00	-	-
Net revenue per accumulation share	1.07	-	-
		2010	2009
Highest Price		-	-
Lowest Price		-	-
Net revenue per accumulation share		-	-

Global Energy Fund 'S' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	177.87	168.00	186.99
Lowest Price	149.65	130.47	124.69
Net revenue per accumulation share	3.24	2.63	3.33
		2010	2009
Highest Price		167.09	147.25
Lowest Price		132.18	95.19
Net revenue per accumulation share		2.93	2.94

† Up to 31 December 2013
(1) Launched 8 May 2012
(2) Launched 2 January 2013

Performance record

The 'A' shares of the Fund returned 14.3%* in the 12 months to 31 December 2013. Over the same period the MSCI AC World Energy NDR (net dividends reinvested) Index returned 11.5%**.

The Fund's outperformance against the performance comparison index occurred largely in August, when the price of Brent crude oil spiked to $118 per barrel (/bl) reflecting the heightened political risk in the Middle East, stemming from the Syrian situation, and its impact on supply.

The strong relative performance by the Fund continued over the next few months as the price of Brent crude oil hovered near $110/bl. Our underweight position in the two large North American integrated companies, Exxon Mobil and Chevron, means that we expect to outperform the comparison index during times of a rising oil price and strong risk sensitivity in the sector. In the final quarter of 2013, however, the market locked in profits from the strong performance of the exploration & production and service & drilling sectors, and rotated into more defensive areas. As Exxon Mobil and Chevron acted as so-called 'safe havens' our underweight exposure to both companies detracted from performance as investors moved into these defensive areas. However, we maintain this underweight position particularly as we believe Exxon is unable to grow production organically and it will be forced to make acquisitions in order to replace reserves.

Our energy positioning is best described as global, diversified and balanced. Our integrated emerging market exposure, which we believe has significantly better production growth profiles, includes companies such as Petrobras, Gazprom and CNOOC. However, these positions slightly detracted from performance due primarily to stock-specific reasons. For example, Petrobras suffered as the Brazilian government continued to fail to raise fuel prices.

The strengthening oil price, halfway through the reporting period, corresponded with a rally in exploration & production equities, particularly mid-cap US companies. Our oil exploration and production exposure in the oil sector performed strongly and contributed 3.58%, as the market gained confidence in the resilience of the oil price and in the production numbers of many of our holdings. Significant contributors included Noble Energy, Apache, Whiting Petroleum and Rosetta Resources as well as names not included in the index such as SM Energy and Oasis Petroleum. The strong growth profiles and higher operating leverage (a measure of how revenue growth translates into growth in operating income) of these companies drove outperformance. As this rally faded towards the end of the year, due in part to the West Texas Intermediate oil price falling relative to Brent crude oil, we reduced some of our US exposure and bought in Canadian, European and emerging market names, which we continue to see as good value.

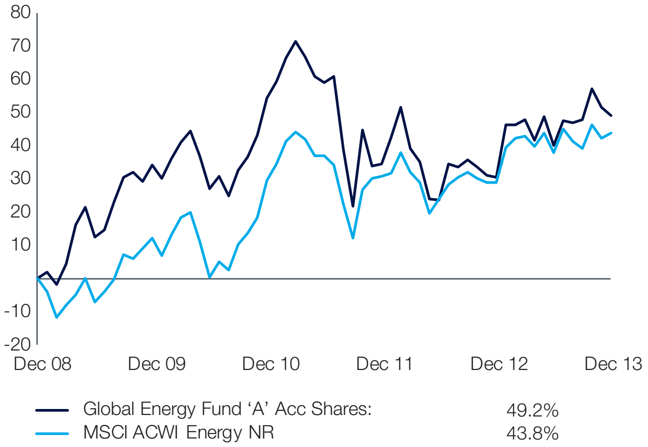
Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:
CNOOC, Chevron, Lukoil, Royal Dutch Shell 'B' Shares, Inpex, SM Energy, Ensco, Schlumberger, ConocoPhillips, Marathon Oil, Rosneft GDR, Petrobras, Cameron International, QEP Resources, Petrofac, Statoil, Marathon Petroleum, Southwestern Energy, Petroleum Geo-Services, National Oilwell Varco, Oil Search, Ophir Energy, Imperial Oil, Whiting Petroleum

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:
ENI, Valero Energy, Halliburton, Apache, Royal Dutch Shell 'B' Shares, Exxon Mobil, Occidental Petroleum, Weatherford International, Transocean, Chevron, BG, TOTAL, Southwestern Energy, Schlumberger, Noble Energy, Oasis Petroleum, SM Energy, Suncor Energy, Petrobras, Rosneft GDR, Baker Hughes, Lukoil, Newfield Exploration, Consol Energy, Marathon Oil, Canadian Natural Resources, Ensco, Nabors Industries, National Oilwell Varco, Rosetta Resources, Santos

*Source: Lipper, total return, net of UK basic rate tax, no initial charge, accumulative share class (acc), net of fees in sterling.
**Index shown for performance comparison purposes only.

Global Energy Fund (continued)

5 year performance graph (%)



Past performance will not necessarily be repeated.

Source: Lipper, 31.12.08 to 31.12.13, total return net of UK basic rate tax, no initial charges, net of fees, in sterling.

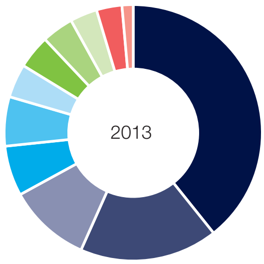
Portfolio analysis

Top 10 holdings (%)

Security	31.12.13
Royal Dutch Shell 'B' Shares	5.2
Suncor Energy	4.5
Petrobras	4.2
Cameron International	4.0
CNOOC	3.9
Marathon Oil	3.9
Ensco	3.9
Chevron	3.6
Statoil	3.4
TOTAL	3.3

Security	31.12.12
Suncor Energy	5.3
Royal Dutch Shell 'B' Shares	5.1
ENI	5.0
Petrobras	4.9
TOTAL	4.8
Halliburton	3.9
Valero Energy	3.8
Apache	3.5
Occidental Petroleum	3.3
Noble Energy	3.1

Geographical split (%)



	31.12.13	31.12.12
United States	39.3	46.4
United Kingdom	17.4	11.1
Canada	10.4	10.7
Norway	6.3	3.6
Russia	6.2	4.8
Brazil	4.2	4.9
France	4.2	4.8
Hong Kong	4.0	-
Australia	3.4	2.5
Japan	3.2	-
Net other assets	1.4	1.3
Italy	-	5.0
Switzerland	-	4.9

Outlook

We continue to see potential upside in energy equities and in particular oil company names. This belief is based on oil's relative demand inelasticity and tight supply outlook. We continue to challenge the notion that US shale oil or tight oil represents a reliable growth avenue for global oil supply. With robust demand from OECD nations and increased market penetration in China, we see demand growth strength pushing market balances into shortfall.

Our expectations for global oil demand are higher than most analysts are forecasting, while supply growth is likely to disappoint the market's lofty expectations (mainly in the US). We do not anticipate a meaningful increase in oil exports, from either Libya or Iran, in the foreseeable future and expect the oil market to remain tight and vulnerable to further supply disruptions. The consensus is that we are moving into a period of supply surplus and oil price forecasts are moving down. It is our view that our bottom-up oil supply-demand model indicates that oil prices may be driven higher, both to stimulate further production growth and to ration demand.

This backdrop provides support for our Brent oil price forecast of $115/barrel long term, which is ahead of consensus market opinion. Using this price generates significant potential value in the associated energy equities.

As for gas, we believe there is limited upside potential in US natural gas prices from here. However, increased production from the Marcellus Basin in the eastern US will prevent prices from moving much higher. Our average forecast price for 2014 is US$4.25/ million cubic feet (mcf). The full year average for 2013 was US$3.7/mcf, versus our estimate of US$3.75/ mcf. As liquefied natural gas (LNG) exports become a reality, we can see prices moving above US$5, but not before 2016. The seasonal and volatile cycle of North American natural gas does not lend itself to straight line commodity price forecasting given the likelihood of weather-driven price spikes in the short term. Taking a more global view, we believe the global LNG market will remain tight, with robust demand from Asia keeping European and Asian gas prices supported.

The opinions expressed herein are as at January 2014.

Risk and Reward profile*

Lower risk
Potentially lower rewards

Higher risk
Potentially higher rewards

1 2 3 4 5 **6** 7

This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk and reward category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean 'risk free'.

The value of your investment can fall as well as rise and you are not certain of making profits; losses may be made.

The Fund appears towards the higher end of the Risk and Reward Indicator scale. This is because it invests in the shares of companies, whose values tend to fluctuate more widely.

The following risks may not be fully captured by the Risk and Reward Indicator:

- The Fund invests in a narrow range of investments and specialised sectors. This may lead to its returns fluctuating more widely than those of more broadly invested funds. It may also mean that there are times when the value of the Fund decreases even while more broadly invested funds are growing.
- It may not be possible to sell smaller company shares as easily as those of larger companies. This could mean that their value fluctuates more widely and that the price obtained for these investments when they are sold is less than expected.

The Risk and Reward profile is taken from the Key Investor Information Document.

The full list of the Fund's risks are contained in Appendix VII of the Investec Funds Series ii Prospectus.

*Please note that the Risk and Reward profile section is based on sterling 'A' class accumulation shares.

Report and Accounts

Please contact Investec Fund Managers Limited for long form Report and Accounts of the OEIC.

Other information

After consultation with the Depositary and in accordance with the requirements of Section 4.3 of the COLL, shareholders were given notice of the following:

- On 31 January 2013 notice that the Authorised Corporate Director (ACD) may redeem shareholdings below £20 in value (or an equivalent amount in the currency of the share class and not denominated in sterling) and pay the proceeds to a registered charity of its choice.
- On 31 July 2013 of the removal of publication of fund share prices from the Financial Times, effective 1 December 2013.

Other relevant changes:

- Global Energy, R Accumulation Net, GBP share class was launched on 2 January 2013.
- Global Energy, I Accumulation Net, USD share class was closed 2 January 2013.
- The fees of rating agencies was added to the list of fees that may be taken from the general administration charge to the prospectus effect from 7 June 2013.
- The ICE Futures Canada Exchange, ICE Futures USA Exchange and ICE Futures Europe exchange were added to the Prospectus as eligible derivatives markets for the Global Energy Fund with effect from 4 October 2013.
- The minimum redemption amount for 'S' share class was reduced from £100,000,000 to £1,000.000 with effect from 4 October 2013.
- The Korea Exchange was added to the prospectus as eligible derivatives markets for the Global Energy Fund with effect from 1 December 2013.
- The Bulgarian Exchange and Croatia (Zagreb) Exchange were added to the prospectus as they became eligible as a result of joining EU.

There have been no fundamental changes to the Company or the Fund that required shareholder approval or any other significant other changes to the operation of the Company or Fund requiring pre-notification.

Conversion to protected cell status

From 19 February 2013 the Company took on protected status following FCA approval to the conversion. This means that from this date, under English law, the Funds are segregated portfolios of assets and the assets of a Fund now belong exclusively to that Fund. The assets of a Fund shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Share class conversion

For share class conversions within the same Fund it may be necessary, at the discretion of the ACD and only when it is in the interests of shareholders for accounting purposes to do so, to defer the completion of such conversions to a subsequent valuation point or ultimately to the valuation point immediately following the end of the relevant Fund's accounting period. If such a deferral is required, the ACD will notify the shareholder requesting the conversion as soon as practicable and will discuss with the shareholder the timing for the completion of the conversion.

Reduction of the General Administration Charge (GAC)

The GAC was reduced from 0.09% to 0.08%, effective 1 April 2013.

More information about the activities and performance of the Fund for this and previous periods can be obtained from the ACD.

Global Free Enterprise Fund

Summary of the Fund's investment objective and policy

The Fund aims to grow the value of your investment over the long term.

The Fund invests around the world primarily in the shares of companies and in related derivatives (financial contracts whose value is linked to the price of an underlying asset). These companies are expected to benefit from privatisation, regulatory change or demutualisation (e.g. a building society becoming a company) or believed to offer good growth potential.

The Investment Manager is free to choose how the Fund is invested and does not manage it with reference to an index.

Full details on this Fund's investment objective and policy can be found in the Prospectus.

Fund facts

Interim/Annual accounting dates	Income payment dates
30 June, 31 December	28 February

Share class	Ongoing charges as per the Key Investor Information Document (%) 2013	2012
`A` Class - accumulation	1.62	1.62
`A` Class - accumulation USD	1.62	1.62
`I` Class - accumulation	0.87	0.87
`R` Class - accumulation*	1.12	n/a
`S` Class - accumulation	0.12	0.12

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund and is based on the expenses of the Fund's Annual Report and Accounts.

*The OCF shown here is an estimate of the charges, as the share class was only recently launched.

The Fund's Annual Report and Accounts for each financial year will include details on the exact charges made.

For more information about charges, please see section 7 of the Investec Fund Series ii Prospectus.

Summary

Distributions

Share class	Distributions as at 31.12.13	Distributions as at 31.12.12
`A` Class - accumulation	2.00p	2.11p
`A` Class - accumulation USD	2.58c	3.44c
`I` Class - accumulation	1.45p	1.24p
`R` Class - accumulation	1.09p	n/a
`S` Class - accumulation	2.80p	2.38p

Performance

Share class	Net Asset Value per share as at 31.12.13	Net Asset Value per share as at 31.12.12
`A` Class - accumulation	538.47p	423.20p
`A` Class - accumulation USD	889.10c	684.10c
`I` Class - accumulation	133.26p	103.91p
`R` Class - accumulation	124.94p	n/a
`S` Class - accumulation	159.72p	123.66p

c = cent
p = pence

Share price range

Global Free Enterprise Fund 'A' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	540.22	429.73	436.37
Lowest Price	433.12	373.65	329.82
Net revenue per accumulation share	2.00	2.11	0.78

	2010	2009
Highest Price	412.46	363.62
Lowest Price	333.37	242.25
Net revenue per accumulation share	-	2.94

Global Free Enterprise Fund 'A' Class (USD Accumulation shares)[1]

Calendar year	2013†	2012	2011
Highest Price	889.68	700.38	-
Lowest Price	705.06	586.26	-
Net revenue per accumulation share	2.58	3.44	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per accumulation share	-	-

Global Free Enterprise Fund 'I' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	133.57	105.51	105.99
Lowest Price	106.38	91.35	80.25
Net revenue per accumulation share	1.45	1.24	0.84

	2010	2009
Highest Price	99.85	87.53
Lowest Price	80.46	58.07
Net revenue per accumulation share	0.27	1.10

Global Free Enterprise Fund 'R' Class (Accumulation shares)[2]

Calendar year	2013†	2012	2011
Highest Price	125.27	-	-
Lowest Price	100.00	-	-
Net revenue per accumulation share	1.09	-	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per accumulation share	-	-

Global Free Enterprise Fund 'S' Class (Accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	159.95	125.51	124.69
Lowest Price	126.57	108.12	94.60
Net revenue per accumulation share	2.80	2.38	1.90

	2010	2009
Highest Price	116.93	101.55
Lowest Price	93.80	66.76
Net revenue per accumulation share	1.34	2.03

† Up to 31 December 2013

(1) Launched 8 May 2012

(2) Launched 2 January 2013

Performance record

The 'A' Shares of the Fund returned 27.3%* in the 12 months to 31 December 2013. Over the same period, the performance comparison index MSCI AC World NDR Index returned 20.5%** and IMA Global sector** returned 21.8%**.

The Fund performed very well over the period, benefiting from good stock selection across a range of sectors. The largest contribution to performance came from the consumers sector where a number of our holdings posted strong returns. Valeant Pharmaceuticals International, a Canadian pharmaceutical company, was boosted by strong sales driven primarily by emerging markets with its business also gaining significant market share against its rivals. AmerisourceBergen, a leading US distributor of pharmaceutical drugs and healthcare products, also performed well after securing a ten-year deal with US drug retailer, Walgreen, in a bid to exploit global supply chain efficiencies while utilising its significant purchasing power to increase margins relative to its peers. Life science equipment company, Thermo Fisher Scientific, posted good returns following strong growth from China.

In the resources sector our position in Valero Energy, a US based refiner, benefited significantly from an increased difference in the price between Brent crude oil and West Texas Intermediate (WTI) oil. With the latter falling in value, boosting demand for WTI, the company saw its profitability rise. Within the financials sector, both insurance and real estate made positive contributions to performance, albeit with contrasting reasons. Insurance was primarily driven by Lincoln National, another high performing US company, specialising in life insurance. Real estate, meanwhile, benefited from many holdings performing reasonably well. However, Emlak Konut Gayrimenkul Yatirim Ortakligi, a Turkish property company, proved to be a modest drag on real estate performance, as Turkish assets sold-off during the bouts of political unrest in Turkey through the year.

The largest detractor to returns over the period was the State Bank of India. The company has struggled with margins squeezed by lower lending rates to corporates, accelerated cost growth and cuts to government business fees. Investors also remain concerned over the credit quality of the bank's core agricultural and small- and medium-sized business client bases. Samsung Electronics, a South Korean electronics company, also detracted from performance. After particularly strong margins running up to 2013, there was a growing consensus that a peak had been reached and so it proved. While resources made a strong contribution to performance overall, our holdings in Cliffs Natural Resources and CNOOC both largely underperformed. Cliffs Natural Resources, a US coal miner, continued to suffer from an overstretched balance sheet and thus a reduction in capital expenditure projections. Chinese oil and gas producer, CNOOC, suffered from the weak emerging market resource sector, while its inclination to pay a premium when acquiring assets did not sit well with investors.

Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:
ON Semiconductor, Japan Airlines, OSRAM Licht, bpost, CST Brands.

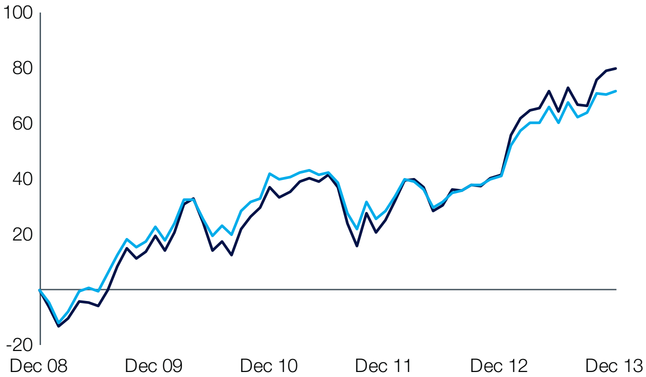
Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:
Valero Energy, Apple, Arkema, Comcast, QUALCOMM, OSRAM Licht.

*Source: Lipper, total return, net of UK basic rate tax, no initial charge, accumulative (acc) share class, net of fees in GBP.

**Index shown for performance comparison purposes only.

Global Free Enterprise Fund (continued)

5 year performance graph (%)



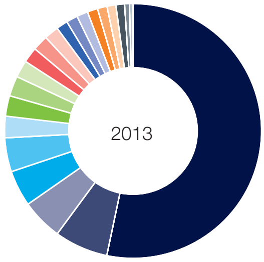
Global Free Enterprise Fund 'A' Acc Shares:	80.1%
IMA Global Sector:	71.8%

Past performance will not necessarily be repeated.

Source: Lipper, 31.12.08 to 31.12.13, total return net of UK basic rate tax, no initial charges, net of fees, in sterling.

IMA sector shown for performance comparison only.

Geographical split (%)



	31.12.13	31.12.12
United States	53.2	49.5
Japan	6.8	8.1
Netherlands	5.2	4.8
Switzerland	4.6	2.6
Germany	4.3	5.5
Belgium	2.7	-
China	2.6	2.4
United Kingdom	2.5	1.1
Net other assets	2.2	1.3
Hong Kong	2.0	2.8
Austria	2.0	-
Australia	1.8	2.9
Canada	1.5	1.2
Taiwan	1.4	-
South Korea	1.4	2.7
Denmark	1.3	1.4
Russia	1.2	2.2
Malaysia	1.1	-
France	1.1	2.3
Turkey	0.6	-
Brazil	0.5	2.3
India	-	1.0
Israel	-	0.9
Mexico	-	2.2
Singapore	-	0.8
South Africa	-	0.9
Sweden	-	1.1

Portfolio analysis

Top 10 holdings (%)

Security	31.12.13
Macy's	2.9
Citigroup	2.8
AmerisourceBergen	2.6
KDDI	2.6
Volkswagen	2.4
Lincoln National	2.2
CST Brands	2.1
CBS	2.0
Pfizer	1.9
ING	1.9

Security	31.12.12
ING	3.3
Telstra	2.9
Valero Energy	2.7
Pfizer	2.6
Macy's	2.5
Apple	2.5
UnitedHealth	2.3
Arkema	2.3
KDDI	2.2
Citigroup	2.1

Outlook

We suspect the market's obsession with US 'tapering' will be a story that continues to dominate the column inches. To borrow from Jane Austen "it is a truth universally acknowledged" that pundits need something to worry about and perhaps we should be grateful that a topic as relatively innocuous as whether the Fed will be buying bonds or not, has grabbed the media's attention. Current indicators point towards an acceleration of growth in 2014, although we expect much anxiety along the way. Even so, the current trajectory suggests an improving trend that should provide a solid platform for rising corporate profits and revenues over the next 12 months. We envisage the end of an era of extraordinary liquidity provision as inevitable. Consequently, we still consider fixed income markets unattractive, as 'real' yields close to zero do not offer sufficient return prospects to entice investors whose level of risk appetite has steadily increased over the past 12 months. However, we do not anticipate a major bond sell-off, as inflationary pressures look relatively benign and markets appear to have broadly priced-in slow, but steady, policy tightening.

For equities, so-called normalisation seems likely to continue. During 2013, we saw declines in overall levels of market volatility and correlations towards their long-term averages, after a prolonged post-crisis period of heightened volatility. It does appear that investor anchoring to the global financial crisis is finally moving towards a more typical market environment, and that the "risk on/ risk off" trade and the lack of differentiation between stocks has faded with improving confidence. In this context, 2013 was a great year for stock pickers as good companies, along with the bad, saw their post-2008 fortunes changing in the mean-reverting market climate, bringing bargain opportunities along the way. We believe these opportunities should be found in global equity markets in the year ahead as, in spite of broad multiple expansion, investors have yet to fully exploit the differentiation.

Our evidence-based, bottom-up investing, is centred on quality, value, positive earnings revisions and technical momentum. Despite facing a headwind, when markets are obsessed with macroeconomic fears and plagued by emotional swings in sentiment, this strategy performed extremely well in 2013. Aside from any unexpected geopolitical crisis, we believe this approach looks set to deliver again in 2014.

The opinions expressed herein are as at January 2014.

Risk and Reward profile*

Lower risk
Potentially lower rewards

Higher risk
Potentially higher rewards

1 2 3 4 5 **6** 7

This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk and reward category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean 'risk free'.

The value of your investment can fall as well as rise and you are not certain of making profits; losses may be made.

The Fund appears towards the higher end of the Risk and Reward Indicator scale. This is because it invests in the shares of companies, whose values tend to fluctuate more widely.

The following risks may not be fully captured by the Risk and Reward Indicator:

- Changes between the values of different international currencies may adversely affect the value of the Fund's investments and any related income.
- Some of the countries in which the Fund invests have less developed political, economic and legal systems. These markets carry a higher than average risk of investment and the Fund may have problems or delays in getting its investments back.

The Risk and Reward profile is taken from the Key Investor Information Document.

The full list of the Fund's risks are contained in Appendix VII of the Investec Funds Series ii Prospectus.

*Please note that the Risk and Reward profile section is based on sterling 'A' class accumulation shares.

Report and Accounts

Please contact Investec Fund Managers Limited for the long form Report and Accounts of the OEIC.

Other information

After consultation with the Depositary and in accordance with the requirements of Section 4.3 of the COLL, shareholders were given notice of the following:

- On 31 January 2013 notice that the Authorised Corporate Director (ACD) may redeem shareholdings below £20 in value (or an equivalent amount in the currency of the share class and not denominated in sterling) and pay the proceeds to a registered charity of its choice.
- On 31 July 2013 of the removal of publication of fund share prices from the Financial Times, effective 1 December 2013.

Other relevant changes:

- Global Free Enterprise, R Accumulation Net, GBP share class was launched on 2 January 2013.
- The fees of rating agencies was added to the list of fees that may be taken from the general administration charge to the prospectus effect from 7 June 2013.
- The ICE Futures Canada Exchange, ICE Futures USA Exchange and ICE Futures Europe exchange were added to the Prospectus as eligible derivatives markets for the Global Free Enterprise Fund with effect from 4 October 2013.
- The minimum redemption amount for 'S' share class was reduced from £100,000,000 to £1,000.000 with effect from 4 October 2013.
- The Korea Exchange was added to the prospectus as eligible derivatives markets for the Global Free Enterprise Fund with effect from 1 December 2013.
- The Bulgarian Exchange and Croatia (Zagreb) Exchange were added to the prospectus as they became eligible as a result of joining EU.

There have been no fundamental changes to the Company or the Fund that required shareholder approval or any other significant other changes to the operation of the Company or Fund requiring pre-notification.

Global Free Enterprise Fund (continued)

Conversion to protected cell status

From 19 February 2013 the Company took on protected status following FCA approval to the conversion. This means that from this date, under English law, the Funds are segregated portfolios of assets and the assets of a Fund now belong exclusively to that Fund. The assets of a Fund shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Share class conversion

For share class conversions within the same Fund it may be necessary, at the discretion of the ACD and only when it is in the interests of shareholders for accounting purposes to do so, to defer the completion of such conversions to a subsequent valuation point or ultimately to the valuation point immediately following the end of the relevant Fund's accounting period. If such a deferral is required, the ACD will notify the shareholder requesting the conversion as soon as practicable and will discuss with the shareholder the timing for the completion of the conversion.

Reduction of the General Administration Charge (GAC)

The GAC was reduced from 0.09% to 0.08%, effective 1 April 2013.

More information about the activities and performance of the Fund for this and previous periods can be obtained from the ACD.

Monthly High Income Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide a high income, paid on a monthly basis.

The Fund invests around the world primarily in bonds (contracts to repay borrowed money which typically pay interest at fixed times) and related derivatives (financial contracts whose value is linked to the price of an underlying asset).

The bonds may be issued by governments, institutions or companies and may be of investment grade (high quality) as rated by the credit rating agencies (companies that rate the ability of the issuers of bonds to repay borrowed money) or below investment grade (if providing a high income).

The Fund will use hedging (an investment technique which aims to protect the value of an investment against currency movements) to minimise any currency risk in sterling.

The Investment Manager is free to choose how the Fund is invested and does not manage it with reference to an index.

Full details on this Fund's investment objective and policy can be found in the relevant Prospectus.

Fund facts

Interim/Annual accounting dates	Income payment dates
30 June, 31 December	31 January, 28/29 February, 31 March, 30 April, 31 May, 30 June, 31 July, 31 August, 30 September, 31 October, 30 November, 31 December

	Ongoing charges as per the Key Investor Information Document (%)	
Share class	2013	2012
\`A\` Class - net accumulation	1.35	1.36
\`A\` Class - net income	1.35	1.36
\`I\` Class - net accumulation	0.75	0.76
\`I\` Class - net income	0.75	0.76
\`R\` Class - net accumulation*	0.85	n/a
\`R\` Class - net income*	0.85	n/a
\`S\` Class - gross accumulation	0.10	0.11

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund and is based on the expenses of the Fund's Annual Report and Accounts.

*The OCF shown here is an estimate of the charges, as the share class was only recently launched.

The Fund's Annual Report and Accounts for each financial year will include details on the exact charges made.

For more information about charges, please see section 7 of the Investec Fund Series ii Prospectus.

Summary

Distributions

Share class	Distributions (p) as at 31.12.13	Distributions (p) as at 31.12.12
\`A\` Class - net accumulation	10.29	9.99
\`A\` Class - net income	4.06	4.17
\`I\` Class - net accumulation	8.25	7.93
\`I\` Class - net income	5.76	3.85
\`R\` Class - net accumulation	5.58	n/a
\`R\` Class - net income	5.42	n/a
\`S\` Class - gross accumulation	13.36	12.69

Performance

Share class	Net Asset Value (p) per share as at 31.12.13	Net Asset Value (p) per share as at 31.12.12
\`A\` Class - net accumulation	188.90	182.59
\`A\` Class - net income	72.13	73.70
\`I\` Class - net accumulation	151.65	145.68
\`I\` Class - net income	102.72	104.32
\`R\` Class - net accumulation	103.07	n/a
\`R\` Class - net income	97.51	n/a
\`S\` Class - gross accumulation	199.85	188.19

p = pence

Share price range

Monthly High Income Fund 'A' Class (Net accumulation shares)

Calendar year	2013†	2012	2011
Highest Price	189.72	183.71	171.23
Lowest Price	180.51	156.69	145.90
Net revenue per accumulation share	10.29	9.99	9.87

	2010	2009
Highest Price	166.21	148.28
Lowest Price	148.86	103.44
Net revenue per accumulation share	9.86	9.06

Monthly High Income Fund 'A' Class (Net income shares)

Calendar year	2013†	2012	2011
Highest Price	75.09	74.80	76.60
Lowest Price	71.24	66.98	63.82
Net revenue per income share	4.06	4.17	4.41

	2010	2009
Highest Price	77.18	72.85
Lowest Price	70.55	54.13
Net revenue per income share	4.69	4.57

Monthly High Income Fund (continued)

Monthly High Income Fund 'I' Class (Net accumulation shares)(1)

Calendar year	2013†	2012	2011
Highest Price	152.32	146.57	135.40
Lowest Price	144.45	124.23	115.62
Net revenue per accumulation share	8.25	7.93	7.84

	2010	2009
Highest Price	130.87	116.47
Lowest Price	116.93	81.01
Net revenue per accumulation share	7.90	7.10

Monthly High Income Fund 'I' Class (Net Income shares)(2)

Calendar year	2013†	2012	2011
Highest Price	106.32	105.64	-
Lowest Price	101.14	97.57	-
Net revenue per income share	5.76	3.85	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per income share	-	-

Monthly High Income Fund 'R' Class (Net Accumulation shares)(3)

Calendar year	2013†	2012	2011
Highest Price	103.52	-	-
Lowest Price	98.24	-	-
Net revenue per accumulation share	5.58	-	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per accumulation share	-	-

Monthly High Income Fund 'R' Class (Net Income shares)(3)

Calendar year	2013†	2012	2011
Highest Price	101.02	-	-
Lowest Price	96.03	-	-
Net revenue per income share	5.42	-	-

	2010	2009
Highest Price	-	-
Lowest Price	-	-
Net revenue per income share	-	-

Monthly High Income Fund 'S' Class (Gross accumulation shares)(1)

Calendar year	2013†	2012	2011
Highest Price	200.72	189.30	168.83
Lowest Price	188.46	157.16	145.35
Gross revenue per accumulation share	13.36	12.69	12.69

	2010	2009
Highest Price	161.01	140.87
Lowest Price	141.43	98.62
Gross revenue per accumulation share	11.83	9.85

† Up to 31 December 2013

(1) Launched 30 January 2009

(2) Launched 2 May 2012

(3) Launched 2 January 2013

Performance record

The 'A' shares of the Fund returned 3.3% in the 12 months to 31 December 2013*. Over the same period, the Bank of America Merrill Lynch European Currency Non-Financial High Yield Constrained GBP Hedged** returned 9.4% while the IMA £ High Yield sector returned 6.6%**.

The total income distributions for the period in relation to 'A' Income shares was 4.06p per share. This compares to a total of 4.17p per share paid for the corresponding period in 2012.

Fund performance for 2013 was positive but, disappointingly, behind the market. Through the first half of the year we reduced exposure to commodity related sectors and to emerging market debt, as both rallied strongly over the first few months to levels we believed looked expensive. This decision helped protect the Fund when the market fell in June. However, the strength of the rebound in markets after June meant the portfolio lagged the market returns due its relative defensive positioning. We did not feel it prudent to add significant levels of risk, given there were still numerous issues facing the market, such as the potential for US intervention in Syria, rumours of another Greek bailout, German elections and the US debt ceiling and potential US government shutdown. Ultimately, however, these risks did not materialise, which buoyed the market further.

There were no specific sector preferences over the period, with new additions and companies in the portfolio being predominantly driven by bottom-up stock selection. We favoured opportunities in secondary (purchased after initial issue in the stock market), rather than primary (purchased directly at issue), markets as the quality of new deals deteriorated over the year. This deterioration was driven by strong investor demand, fuelled by large inflows into the asset class, driving demand for higher-yielding assets. Besides our reduction in commodity-related sectors, our exposure to the media sector fell during the period, after Kabel Deutschland was redeemed at an attractive price. We used proceeds from sales to add mainly to eastern European telecom companies and European technology companies, taking advantage of the increase in internet traffic and online offerings.

Both the telecommunication and technology sectors were the best performing sectors and were positive drivers of performance. The telecommunication sector benefits from positive merger and acquisition risk as large incumbent telecom operators, in mature markets, look to grow through acquisitions or by moving into new geographies. The technology sector benefits from an increasing demand for technological services and the outsourcing of such services. The businesses, while generally having little in the way of assets, generate strong cashflows and margins. High-yield financials also performed very well over the period driven, in part, by investors searching for yield, an improving macroeconomic landscape in Europe and progressively positive steps to implement a banking union in Europe. In addition, a number of risks still remain in the financial sector as governments look to ensure investors share in any losses from another banking crisis. Our low exposure to this sector has detracted from relative performance.

Away from sector allocations, our bias has been towards European issuers, looking for those that have successfully weathered the last number of years, but have remained cheap due to general market aversion. We have, as a result, reduced our exposure to emerging market corporates, where although the fundamentals remain attractive, the regions in which they operate face economic difficulties. It is a sector we continue to favour over the long term, but are happy to lighten risk in these regions over the short term. We also added some exposure to investment grade companies (those with a credit rating of BBB or above) over the year, as certain names, such as Santos, an Australian utility company, offered very attractive yields and lower risk profiles.

In general, 2013 was a positive year for high-yield corporate bonds, with the bulk of the returns coming from the second half of the year after the market fell in June 2013. This was triggered by indications from the US Federal Reserve Bank (Fed) that it was considering reducing the pace of its bond-buying programme towards the end of 2013, given a steadily improving macroeconomic environment. The resulting market turmoil led to clarifications from the Fed as to how and when this process would take place, calming market fears. In addition, economic data surprises in Europe continued to improve. As such, developed market equities in Europe and the US went on to generate strong returns for the year, as did the high-yield markets in these regions

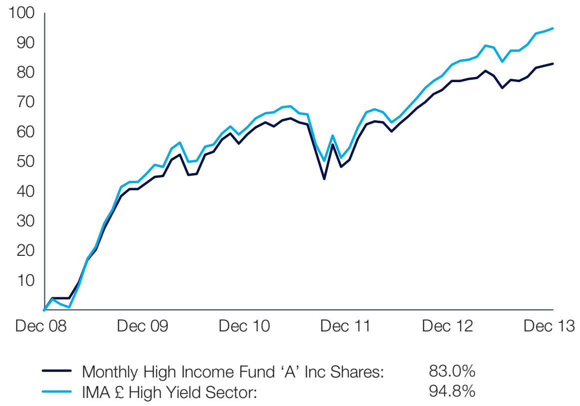
Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the period comprised:
Unitymedia Hessen 6.25% 15/01/2029, Equiniti Newco 2 7.125% 15/12/2018, Siemens Financieringsmaatschappij 6.125% 14/09/2066, Bombardier 6.125% 15/05/2021, Reynolds Group Issuer 5.75% 15/10/2020.

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the period comprised:
Edcon Proprietry Floating 3.433% 15/06/2014, Ziggo Bond 8% 15/05/2018, New World Resources 7.875% 01/05/2018, INEOS 7.875% 15/02/2016, Beverage Packaging Holdings Luxembourg II 8% 15/12/2016.

*Source: Lipper, total return, net of UK basic rate tax, no initial charge, income share class (inc), net of fees in sterling.

**Index shown for performance comparison purposes only.

5 year performance graph (%)



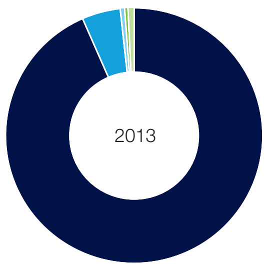
Past performance will not necessarily be repeated.

Source: Lipper, 31.12.08 to 31.12.13, total return net of UK basic rate tax, no initial charges, net of fees, in sterling.

IMA sector shown for performance comparison only.

Portfolio analysis

Sector split (%)



	31.12.13	31.12.12
Corporate Bonds	94.9	93.4
Net other assets	4.9	6.8
Cash Collateral	0.6	-
OTC Forward Foreign Exchange Transactions	0.4	(0.2)
Credit Default Swaps	(0.8)	-

Monthly High Income Fund (continued)

Top 10 holdings (%)

Security	31.12.13
Carlson Wagonlit 7.5% 15/06/2019	2.2
William Hill 7.125% 11/11/2016	2.1
Cyfrowy Polsat Finance 7.125% 20/05/2018	2.0
Rexam 6.75% 29/06/2067	2.0
Phones4U Finance 9.5% 01/04/2018	2.0
Unitymedia Hessen 6.25% 15/01/2029	2.0
Equiniti Newco 2 7.125% 15/12/2018	2.0
Gtech 8.25% 31/03/2066	2.0
Boparan Finance 9.875% 30/04/2018	1.9
Aguila 3 7.875% 31/01/2018	1.9

Security	31.12.12
Cyfrowy Polsat Finance 7.125% 20/05/2018	2.7
William Hill 7.125% 11/11/2016	2.6
Ladbrokes Finance 7.625% 05/03/2017	2.5
Ziggo Bond 8% 15/05/2018	2.4
Edcon Proprietry Floating 15/06/2014	2.3
Cirsa Capital Luxembourg 8.75% 15/05/2018	2.3
Greif Luxembourg Finance 7.375% 15/07/2021	2.2
Care UK Health & Social Care 9.75% 01/08/2017	2.2
New World Resources 7.875% 01/05/2018	2.1
Wind Acquisition Finance 7.375% 15/02/2018	2.1

Outlook

We believe corporate bonds will remain an attractive option for investors in 2014. We expect interest rates to remain low throughout 2014 in the major economies, and corporate bonds should offer investors an attractive yield relative to government bonds and cash. Many companies have strong (and improving) balance sheets and large cash reserves and we expect default rates to remain low. Meanwhile, an ageing population is also likely to be supportive of the asset class as investors moving into retirement look for income and strong risk-adjusted returns. This is not to say we do not expect some volatility (wide fluctuations in value) in the markets, but we would look at these opportunities to add selectively to corporate bonds.

The opinions expressed herein are as at January 2014.

Risk and Reward profile*

Lower risk Potentially lower rewards						Higher risk Potentially higher rewards
1	2	3	**4**	5	6	7

This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The risk and reward category shown is not guaranteed to remain unchanged and may shift over time. The lowest category does not mean 'risk free'.

The value of your investment can fall as well as rise and you are not certain of making profits; losses may be made.

The Fund appears towards the middle of the Risk and Reward Indicator scale. This is because it invests in bonds whose returns tend to fluctuate more than those of cash funds but less than those of funds which invest in the shares of companies.

The following risks may not be fully captured by the Risk and Reward Indicator:

- The value of bonds tends to decrease when interest rates and/or inflation rises.
- There is a risk that the issuers of bonds may not be able to repay the money they have borrowed nor make any interest payments. This risk is greater than average where the Fund invests in a bond with a below investment grade credit rating (ratings based on the ability of the issuers of bonds to repay borrowed money).
- The Fund's expenses are charged to the capital account of the Fund rather than to its income, which has the effect of increasing the Fund's income (which may be taxable) whilst reducing its capital to an equivalent extent. This could constrain future capital and income growth.

The Risk and Reward profile is taken from the Key Investor Information Document.

The full list of the Fund's risks are contained in Appendix VII of he Investec Funds Series ii Prospectus.

*Please note that the Risk and Reward profile section is based on sterling 'A' class income shares.

Report and Accounts

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Other information

After consultation with the Depositary and in accordance with the requirements of Section 4.3 of the COLL, shareholders were given notice of the following:

- On 31 January 2013 notice that the Authorised Corporate Director (ACD) may redeem shareholdings below £20 in value (or an equivalent amount in the currency of the share class and not denominated in sterling) and pay the proceeds to a registered charity of its choice.
- On 31 July 2013 of the removal of publication of fund share prices from the Financial Times, effective 1 December 2013.

Other relevant changes:

- Monthly High Income, R Accumulation Net, GBP share class was launched on 2 January 2013.
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- The fees of rating agencies was added to the list of fees that may be taken from the general administration charge to the prospectus effect from 7 June 2013.
- The ICE Futures Canada Exchange, ICE Futures USA Exchange and ICE Futures Europe exchange were added to the Prospectus as eligible derivatives markets for the Monthly High Income Fund with effect from 4 October 2013.
- The minimum redemption amount for 'S' share class was reduced from £100,000,000 to £1,000.000 with effect from 4 October 2013.
- The Korea Exchange was added to the prospectus as eligible derivatives markets for the Monthly High Income Fund with effect from 1 December 2013.
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There have been no fundamental changes to the Company or the Fund that required shareholder approval or any other significant other changes to the operation of the Company or Fund requiring pre-notification.

Conversion to protected cell status

From 19 February 2013 the Company took on protected status following FCA approval to the conversion. This means that from this date, under English law, the Funds are segregated portfolios of assets and the assets of a Fund now belong exclusively to that Fund. The assets of a Fund shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose.

Share class conversion

For share class conversions within the same Fund it may be necessary, at the discretion of the ACD and only when it is in the interests of shareholders for accounting purposes to do so, to defer the completion of such conversions to a subsequent valuation point or ultimately to the valuation point immediately following the end of the relevant Fund's accounting period. If such a deferral is required, the ACD will notify the shareholder requesting the conversion as soon as practicable and will discuss with the shareholder the timing for the completion of the conversion.

Reduction of the General Administration Charge (GAC)

The GAC was reduced from 0.09% to 0.08%, effective 1 April 2013.

More information about the activities and performance of the Fund for this and previous periods can be obtained from the ACD.

Other information

ISA status

During the year under review, the shares of the funds met the requirements for eligibility to be held in a stocks and shares ISA as determined by the regulations which govern ISAs.

Investec Fund Managers Limited offer the A shares of the funds through its own ISA plan.

Distributions

Where a distribution is to be paid, it has been calculated as at 31 December 2013 and will be distributed to shareholders, where applicable, on 28 February 2014.

For accumulation shares, payments are deemed to be paid on 28 February 2014.

Ratings

Provided as at 31 December 2013. Fund ratings may be provided by independent rating agencies based on a range of investment criteria. For a full description of the ratings please see www.investecassetmanagement.com/ratings.

Telephone calls

Telephone calls may be recorded for training and quality assurance purposes.

Registration in overseas markets

Investec Fund Series ii	Chile	Peru	Switzerland	UK
American Fund	✓		✓	✓
Asia ex Japan Fund	✓		✓	✓
Global Energy Fund	✓		✓	✓
Global Free Enterprise Fund	✓		✓	✓
Monthly High Income Fund	✓	✓	✓	✓

Notes: Chile and Peru to be distributed to AFPs (Pension Funds) only.

The Company's Prospectus, Key Investor Information Documents, Instrument of Incorporation, annual and semi-annual Report and Accounts may be obtained, free of charge from Investec Fund Managers Limited or, in Switzerland, from the Swiss Representative and Paying Agent, RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse 567, P.O. Box 101, CH–8066 Zurich.

A copy of the full portfolio changes during the period under review, is available free of charge from the Swiss Representative.

Authorised Corporate Director (ACD)

Investec Fund Managers Limited

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Email	enquiries@investecmail.com
Indicator	online valuation service www.investecassetmanagement.com
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Investment Advisor

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Fund Administrator

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