

Investec Funds Series ii **A UK based Investment Company**

Annual report and accounts | For the year ended 31 December 2012



Out of the Ordinary®

 **Investec**
Asset Management

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** The above information collectively forms the Authorised Corporate Director's Report*



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.

Performance record

The 'A' shares of the Fund fell 0.8% in the twelve months to 31 December 2012*. Over the same period the Standard & Poor's 500 Index returned 10.2% while the IMA North America sector returned 7.5%**.

The American Fund changed from being managed by the Sub-investment Manager Thornburg Investment Management Inc, back to the direct investment management of Investec Assets Management Limited effective 20 August 2012.

Since taking on management of the Fund, the portfolio has been transitioned to follow our in-house Contrarian model which is focused on identifying stocks that are out of favour; offer good value and have robust balance sheets.

The year began with gold mining companies underperforming, and ended much the same way. Our holdings in gold mining companies Newmont Mining and Barrick Gold detracted from returns. Both companies lowered guidance about production levels, while raising cost guidance. We have maintained our exposure to these companies as we feel they offer attractive value against gold. This is very much a current contrarian view, judging by the direction that gold miners' share prices have been heading recently. With the caveat that the spot price of gold has more than doubled from its low in late 2008, we believe the gold miners look fundamentally more attractive now than they did then. The main causes of this dramatic fall in sentiment have been mining companies missing production targets and cost escalation. However, management teams have also found themselves awash with cash which has tended to be spent on mergers and acquisitions rather than returned to shareholders. Although now chastened, the market is unwilling at this stage – and probably rightly so – to give these companies the benefit of the doubt.

We see gold as a play on macroeconomic instability in general, and investors' faith in paper currencies in particular. If the financial and fiscal crises of recent years are now fully discounted and in retreat, then there would appear to be little reason for the gold price to push significantly higher. While we typically shy away from making macroeconomic predictions, there is plenty of evidence to suggest that the US economy is still weak, while the problems in the euro zone seem far from fixed.

The other major detractor from performance over the period was Exelon, the hybrid utility group. Power generation profitability in the United States has been squeezed by lower natural gas prices, caused by the boom in unconventional gas extraction. As one of the country's largest nuclear power operators, Exelon enjoys a lower cost profile than many of its peers. In the current environment, however, this has failed to provide any downside protection with the shares coming under pressure in November following comments from the chief executive that the dividend, currently at 5.4%, might have to be cut.

Since the Fund transition in August, the portfolio has not owned any financial stocks. As the financial system unravelled in 2007 and 2008, prices and valuations of banks and insurance stocks came under great pressure. If all we ever did was buy out-of-favour, cheap stocks we would have been piling in, but the numbers told us that there was too much borrowing across the sector. We believe simplistic measures of valuation are dangerous without reference to balance sheet strength and this led us not to invest in financial companies.

This year, however, was not the period for being underweight in the financials sector, as the sector was the top performer over the year, up 25.1%. In aggregate, financial companies appear to have made progress in restoring the health of their finances. This, in our view, makes them potentially attractive. The issue we have struggled with more recently is valuation. Even after last year's rally, the sector may still look cheap against the valuations enjoyed five or 10 years ago, but this does not necessarily make it attractive. If it was assumed that the financial sector can re-rate to the relative valuation peak achieved in 2006, then on our estimates there could be 50% upside from today's stock prices. The problem is that we are not comfortable with that assumption and, as a result, we believe that the sector lacks a sufficient margin of safety to justify an investment. However, we continue to monitor the sector for companies that may meet our criteria.

More positively, Apple (which the portfolio does not own) and Valero Energy (which it does), both contributed positively to relative performance over the final quarter of 2012. Apple struggled over the period as the need for management reshuffling unsettled investors, so not holding it was beneficial, while Valero benefited from the growth in the supply of cheap onshore US crude oil. Expedia also performed well over the quarter. The company has completed an investment phase that appears to be bearing fruit already. Currently one of the more expensive stocks in the portfolio, we believe the combination of self-help and structural growth justifies the Fund's position in Expedia.

Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Medtronic, Pfizer, Merck & Co, Zimmer, Halliburton, Citigroup, Dell, Wal-Mart Stores, Intel, Newmont Mining, Cisco Systems

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Gilead Sciences, Google, Thermo Fisher Scientific, Exxon Mobil, GAP, Charles Schwab, Apple, Hewlett-Packard, JPMorgan Chase, Varian Medical Systems, Goldman Sachs, MetLife, SandRidge Energy, Staples, Yahoo!, Dell, Bank Of America, Hartford Financial Services, General Electric, United States Steel, Level 3 Communications, Community Health Systems, Best Buy, Apache, Halliburton, Microsoft, PulteGroup, Life Time Fitness, Paychex, Juniper Networks

Outlook

The eleventh-hour United States fiscal cliff deal provided only two days of euphoria. Given that a potential 5% reduction in United States gross domestic product (GDP) has been curtailed to between 1% and 2%, the mere 4% gain in Standard & Poor's 500 Index is, perhaps, an indication of how unimpressed investors were with the outcome.

Indeed, both President Barack Obama and John Boehner, the Republican speaker in the House of Representatives, managed to give up less ground than either had been willing to concede. *The Economist*, reported that "viewed through anything other than a two-month prism, it was an abject failure". The two-month period relates to how long it will be before the current debt ceiling is breached. All of which means plenty more Capitol Hill activity can be expected in the next few months.

None of this has altered our investment decisions, but it affects everyone's investment results. In recent years, equity markets appear to have become increasingly led by the machinations of politicians. We long for a return to the days when buying what was cheap, and shunning what was expensive, created positive outcomes. Certainly, at a stock level, we have come across examples of companies that have fallen out of favour due to their dependence on Federal spending. Now it is just the small matter of figuring out in which direction that spending is going, something the United States' deal shed little light on.

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

***Index shown for performance comparison purposes only.*

The opinions expressed herein are as at January 2013.

Risk and Reward profile*



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 at 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. Please note that, the Risk and Reward profile section is based on Sterling "A" Class Accumulation shares.*

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

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.

Performance record

The 'A' shares of the Fund returned 16.5% in the twelve months to 31 December 2012*. Over the same period the MSCI AC Asia ex Japan NDR Index returned 17.0% and IMA Asia Pacific excluding Japan** sector returned 16.7% in sterling terms.

The Fund benefited from strong performances from a number of our holdings over the period. The biggest contribution to performance was from Great Wall Motor, the Chinese sports utility vehicle manufacturer, which enjoyed a rapid growth in sales over the period in its niche area. Great Wall Motor's profitability also improved over the period because of a favourable change in the company's product mix. Samsung Electronics also posted strong returns with continued strength of its mobile business, as both Galaxy S III and Galaxy Note II sales exceeded expectations. Towards the end of the period, investors were also relieved by favourable developments in Samsung's patent dispute with Apple, which had threatened to halt sales of certain products in the US. Meanwhile Glenmark Pharmaceuticals, an Indian company that sells branded generic drugs into India and other emerging markets and into the US market, as well as undertaking research and development, did well. The share price of the company rose strongly over the period as its results showed good growth and the continued profitability of its research and development pipeline.

Our real estate holdings also contributed positively to returns over the period. Chinese property developers, such as China Overseas Land & Investment and Country Garden Holdings, benefited from buying cheaper property and rising contract sales. In addition, easing monetary policy during the period, and increasing expectations towards the end of the period of further supportive policy from the central bank also supported upward moves in the share prices of these companies. Landlord Hongkong Land also added to returns thanks to signs of stabilisation in office rents.

However, these positive contributions were offset by the performance of some of our other holdings. The largest detractor from returns was a stock that was sold in the first half of the year, Luk Fook. Luk Fook is a Hong Kong jewellery retailer with extensive sales networks in Greater China. The stock suffered from a fall in sales growth due to a reduction in Chinese visitors to Hong Kong. It was also hurt by concerns over its margin in a falling gold price environment as the company only hedges 20% of its inventory. Chinese gaming company, Netease also dragged on returns over the period as it issued weaker than expected results. Revenue from computer game, *World of Warcraft*, disappointed due to a lack of new content and increased competition from rival game, *Diablo III* (via overseas servers). Korean Reinsurance also underperformed over the period due to larger than expected losses relating to the floods in Thailand.

Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Hon Hai Precision Industry, Samsung Electronics, CNOOC, China Overseas Land & Investment, China Mobile

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Samsung Electronics, Taiwan Semiconductor Manufacturing, CNOOC, China Mobile, POSCO, Hyundai Motor, Hon Hai Precision Industry, China Construction Bank, Bangkok Bank, AIA Group, Oversea Chinese Banking, Great Wall Motor, KT&G, Hyundai Mobis

Outlook

We are cautiously optimistic for Asian markets in 2013. Global economic momentum continues to move upward, albeit off a low base. The Chinese economy, a major influence on the region in 2012, is showing signs of bottoming out. Downgrades to earnings forecasts are showing early signs of stabilisation while, recently, earnings momentum in Asia and emerging markets has outpaced developed markets. Earnings momentum should be an important driver of 2013 stock market performance if markets are to move upwards, especially given 2012's impressive performance despite the year's earnings downgrades of 7%. We believe Asian equity markets appear good value, relative to global equities and their historical record, especially considering the long-term growth dynamic of the region. Yet, investors still appear to be cautiously positioned despite the markets' upward move.

It is, therefore, important to acknowledge that 2013 is likely to be another year of fluctuating returns, with plenty for the market to worry about. The European sovereign debt crisis is far from over, although portfolio risks appear to have been removed by the European Central Bank. The celebration of the partial resolution of the political crisis over the fiscal cliff in the United States is probably misplaced, as Congress faces fierce debates over the sovereign debt ceiling and cuts to entitlement spending. There are few signs that politicians across the United States' political divide are prepared to work proactively to solve these issues. With confidence fragile, although improving, there is a risk that the tentative signs of bottoming out in corporate earnings will prove to be a false signal, as was the case in April 2012.

However, with a rapidly increasing middle-class population driving consumption and investment in infrastructure, it is our view that the long-term growth outlook in Asia is positive. We believe a disciplined bottom-up investment process, which focuses on return on capital and return to shareholders, improving profitability, valuations and share price momentum, is best placed to capture the positive dynamic the region has to offer.

**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.*

The opinions expressed herein are as at January 2013.

Risk and Reward profile*

Lower risk

Potentially lower rewards

Higher risk

Potentially higher rewards



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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 at 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. Please note that, the Risk and Reward profile section is based on Sterling "A" Class Accumulation shares.*

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

European Fund

Following the approval of shareholders at an EGM held on the 7 December 2012 the European Fund was merged into the Global Franchise Fund (a sub-fund of Investec Fund Series iv) on 4 January 2013 and is no longer available for investment.

Performance record

The 'A' shares of the Fund returned 24.5% in the twelve months to 31 December 2012*. Over the same period the MSCI Europe ex-UK NDR Index returned 16.0% **.

European markets began 2012 cautiously with worries of a Greece-led euro-zone breakup. Meanwhile, concerns that the Chinese economy was slowing raised further doubts about the direction of equity markets. In contrast, the corporate sector — with its ability to achieve growth in an overall low-growth environment while keeping costs in check — saw profit growth achieved again. Indeed, in such a low growth environment, it becomes clearer which companies have best competitive advantages offering rich pickings from a bottom-up stock selection perspective. In addition, politicians and central bankers put mechanisms, including fiscal intervention, in place to aid economic stability thereby encouraging healthy stock market returns.

Fund performance was good for the period under review. In the first half of the year, performance was driven by high quality stocks with structural growth, while in the second half of the year stocks which performed poorly, due to earlier worries over a euro-zone breakup and slowing global growth, reversed their trends as these concerns proved to be overly pessimistic.

It was satisfying to see positive relative performance from most sectors. The consumer sector was the largest contributor through 2012. This was due to steady outperformance by pharmaceutical stocks, and appropriate exposure to high quality growth companies, in the first half of the year. Later in the year we reduced the Fund's exposure to growth companies as valuations had become stretched and better opportunities presented themselves. The resources sector was the next biggest contributor to relative performance due to the Fund's lack of exposure to large commodity stocks, such as oil and gas and industrial metals, which performed poorly given disappointing production and exposure to a weakening Chinese economy. The most impressive absolute performance came from the technology, services and industrials sectors, where structural growth, combined with commendable execution of strategy, achieved excellent returns.

The financials sector was the only disappointment and dragged on performance. However, it should be noted that the poor performance witnessed in the first half of the year was offset by a recovery in the second half as the fiscal intervention to maintain economic stability benefited the sector.

Teleperformance, the global leader in call centres, stood out as the biggest positive stock contributor. Its shares were very cheap over concerns of no structural growth and exposure to France's economic problems. However, the company enjoyed superb growth by generating new business away from its core telecom origins. We believe that further structural growth continues to be underestimated by investors. Bayer, the healthcare and agricultural products group, was the next biggest contributor as growth in its agricultural chemicals surpassed expectations quelling fears over the cost effectiveness of its research and development. Volkswagen was also a positive contributor to performance as investors appreciated the resilience of its product range as well as the benefits of its strategy to merge platforms across brands.

Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Sanofi, Reed Elsevier, Teleperformance, Arysza, HeidelbergCement, Yara International, Tui Travel

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Nestle, Statoil, Anheuser-Busch InBev, BASF, Fresenius

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

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Risk and Reward profile*

Lower risk

Potentially lower rewards

Higher risk

Potentially higher rewards



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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 at 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.

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The investments of the Fund are primarily 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.

**The Risk and Reward profile is taken from the Key Investor Information Document. Please note that, the Risk and Reward profile section is based on Sterling "A" Class Accumulation shares.*

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

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.

Performance record

The 'A' Shares of the Fund fell 2.9% in the twelve months to 31 December 2012*. Over the same period the performance comparison index (MSCI AC World Energy NDR Index and prior to 1 September 2012 MSCI World Energy NDR Index) fell 1.5% while the IMA Specialist sector returned 8.2%**.

The Fund's underperformance against the performance comparison index stems mainly from the second quarter, when the price of Brent crude oil fell over 20% in US dollar terms. Our underweight positions in two United States super majors (the group comprising five or so of the world's largest publicly owned oil and gas companies), Chevron and Exxon, detracted from performance over this period, as investors moved to reduce risk by utilising the two companies as relative 'safe havens' during yet another volatile period for the oil price and energy equities. Our overweight position in Petrobras also detracted as concerns regarding production targets and retail product pricing continued to weigh on the share price. However, the positioning in these energy companies did prove profitable during the second half of 2012, when oil prices and energy markets rallied.

During the second quarter of 2012 our holdings in natural gas exploration and production companies Ultra Petroleum, Southwestern Energy and Encana were the top performing stocks, benefiting from the 32.8% rise in the United States natural gas price driven by a rising demand for gas in 2012. However, forecasted warmer weather over winter in the eastern United States, saw natural gas prices soften into year end from the high reached in November 2012.

With global oil supply growth at risk of disappointing, due to declining production rates and greater reliance on deepwater and unconventional wells, we believe the need for high-quality oilfield service companies will continue to grow. Indeed, our overweight holdings in equipment and services companies, particularly seismic and offshore drilling names, contributed to performance in 2012. It is our view that valuations in this sector remain attractive.

Meanwhile, Asian buyers continued their pursuit of established overseas oil and gas assets in 2012 giving way to some interesting merger and acquisition activity during the year. These included the 80% premium paid by Petronas for Progress Energy; the Chinese National Offshore Oil Company (CNOOC) bid at a 61% premium for Canadian oil company Nexen; and Talisman Energy's sale of part of its North Sea business to China's Sinopec. The Fund was well positioned to benefit from these transactions, both directly and indirectly.

Sentiment appeared to improve into the year end, with many investors believing that the oil price would remain supported at these high levels into 2013. The International Energy Agency saw an increase in global demand forecasts for the fourth quarter of 2012, due to improving global growth expectations, as well as positive sentiment surrounding China. These improved forecasts helped to push oil prices higher with the average Brent crude oil price approaching \$112 per barrel, the highest-ever recorded annual average. The price difference between Brent crude oil and West Texas Intermediate (WTI), a grade of crude oil used as a benchmark in oil

pricing (WTI) grew from \$8.6 per barrel to over \$19 per barrel thanks to growing United States onshore production and the bottleneck at the Cushing oil supply hub in Oklahoma suppressing the WTI price.

The Investec Global Energy Fund held the following broad composition at the end of December:

- Integrated oil companies (39%) – We see particular value in European integrated oil and gas companies which have underperformed their United States counterparts and have strong balance sheets, improving cashflow generation, and attractive dividend yields.
- Exploration and production companies (30%) – We have a significant overweight allocation to these companies, balanced towards oil over natural gas, and we have taken advantage of weaker sentiment to buy high quality companies on discounted valuations.
- Service companies (24%) – Our services allocation is also overweight, as we believe that capital expenditure requirements for oil and gas production growth will prove a powerful tailwind for the sector, and that the spare capacity – notably in the United States onshore market, is close to being worked off.

Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Royal Dutch Shell 'B' Shares, Halliburton, Schlumberger, Baker Hughes, Chevron, Exxon Mobil, Occidental Petroleum, Patterson UTI Energy, Repsol, Lukoil, Ensco, Noble Energy, Anadarko Petroleum, Newfield Exploration, BP, Weatherford International, Transocean, Santos

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Weatherford International, Murphy Oil, Transocean, Nexen, Petroleo Brasileiro, Encana, PetroBakken Energy, Baker Hughes, TOTAL, Petroleum Geo-Services, Canadian Natural Resources, Devon Energy, Schlumberger, Gazprom, Southwestern Energy, Ophir Energy, Ultra Petroleum, Imperial Oil, SBM Offshore, Talisman Energy, Royal Dutch Shell 'B' Shares, BP, Forest Oil

Outlook

We regard the consensus estimate for non-OPEC supply growth as unduly optimistic, believing many forecasts for United States tight-oil (light crude oil) production growth are not taking enough account of the decline in rates and are too reliant on extrapolation of current production levels in United States shale formations. Risks include a significant weakening in demand, although we regard this as low probability, as demand from non-OECD countries was robust even during the financial crisis of 2007-2009. Continued OPEC production growth is also a risk, although we believe Saudi Arabia will curtail production in the event of oil price weakness. Over the longer term, it is our view that the market will be increasingly vulnerable to supply disruptions and increasingly reliant on high-cost deepwater and unconventional supply. Therefore, we expect an average Brent crude oil price of more than \$110 per barrel in 2013.

**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.*

The opinions expressed herein are as at January 2013.

Risk and Reward profile*

Lower risk

Potentially lower rewards

Higher risk

Potentially higher rewards



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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 at 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.

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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.

Performance record

The 'A' Shares of the Fund returned 12.9% in the twelve months to 31 December 2012*. Over the same period the performance comparison index MSCI AC World NDR Index** returned 11.0% and IMA Global sector** returned 9.8%.

The Fund performed well over the period, benefiting from good stock selection across a range of sectors. The largest contribution to performance came from the resources sector where a number of our holdings posted strong returns. LyondellBasell Industries, a manufacturer of polyolefin (polypropylene and polyethylene) materials for a wide range of industrial applications benefited from the cheap supply of natural gas which helped boost the company's margins. Chemicals group, Arkema, rose over the period as investors were increasingly supportive of the restructuring programme it is undergoing since being spun off from French oil giant Total. Our holdings in United States oil refiners Valero Energy and Marathon Petroleum also performed well, benefiting from the growth in the supply of cheap onshore US crude oil and the growth of infrastructure to move this crude to the United States Gulf Coast.

In the telecommunications & utilities sector our position in Australian telecommunications carrier, Telstra, benefited from favourable developments in both its fixed line and mobile businesses. Telstra has reached the end of a multi-year process of negotiation with the regulator and is now supporting a fast broadband infrastructure build. In addition the company offers favourable dividends, particularly compared to its European rivals, which attracted investor interest during the period. Within the services sector, we benefited from our exposure to media companies and retailers, particularly companies based in the United States. In media, both Comcast and CBS posted good results, with Comcast particularly benefiting from a turnaround in its NBC Universal network. In retailing, online travel company priceline.com showed strong secular growth over the period, increasingly becoming the go-to partner for hotel chains in Europe, the Middle East and Africa, while Macy's enjoyed growth in sales both in its stores and online.

The largest detractor to returns over the period was Japanese gaming company Nexon. The company suffered large earnings downgrades after surprising the market with poor results. It was also impacted as growth slowed in developed markets, such as Japan and Korea, which are experiencing heightened competition. Nu Skin fell over the period as investors grew increasingly concerned about the direct selling model, despite solid fundamentals. Although there was a strong contribution to returns from the resources sector as a whole, our holdings in Occidental Petroleum and Cliff Natural Resources detracted from returns over the period. United States based oil and gas exploration and production company Occidental fell on concerns that its forecasted production growth could be lower than expected as the company focused on reducing costs to maintain returns, while Cliff Natural Resources suffered from falling iron ore prices, throughout most of the period, and operational difficulties in its Eastern Canadian iron ore operations.

Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Valero Energy, Citigroup, Japan Tobacco, JPMorgan Chase, Illinois Tool Works

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

MasterCard, priceline.com, Cisco Systems, Philip Morris International, Novo Nordisk

Outlook

The relief following the compromise on tax increases in the US has resulted in a sharp upward move in global markets at the start of 2013. However, we do caution that the continuing battle over government spending cuts, likely to be resolved by the end of March, may further increase market fluctuations. It was pleasing that investors held their nerve through December and focused on the signs of improvement in economic data rather than headline-driven sentiment.

With the weak economic recovery likely to persist, the attraction of equity as an asset class relative to fixed income looks compelling. However, for sustainable absolute returns we would like corporate cash to be put to work in investment or dividends. We will continue to urge companies, where we feel balance sheets are inefficient, to return surplus cash to shareholders via dividends or share buybacks.

We suspect investors will become increasingly attracted to the value offered by equity markets. As risk aversion has remained elevated in recent years, companies offering stable cashflows have seen their valuation multiples become extended relative to broader market averages. We believe that as investor risk-appetite recovers, following a perceived improvement in corporate and national balance sheets, and fewer deflationary concerns due to some growth and central bank injections, sectors that have seen relative multiple contraction since 2008 should benefit.

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

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Risk and Reward profile*

Lower risk

Potentially lower rewards

Higher risk

Potentially higher rewards



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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. Please note that, the Risk and Reward profile section is based on Sterling "A" Class Accumulation shares.*

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

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.

Performance record

The 'A' shares of the Fund returned 17.5% in the twelve months to 31 December 2012*. Over the same period, the Bank of America Merrill Lynch European Currency Non-Financial High Yield Constrained GBP Hedged (prior to 01.06.12 was Merrill Lynch European Currency High Yield Constrained GBP Hedged) returned 26.0%. while the IMA £ High Yield sector returned 18.2%**.

The total income distributions for the year in relation to 'A' Income shares was 4.17p per share. This compares to a total of 4.41p per share paid for the corresponding year in 2011.

The strong rebound in risk assets in the fourth quarter of 2011 was used as an opportunity to reduce overall Fund risk, primarily by selling exposure to banks and less mainstream companies. As such the Fund was moderately defensive at the start of 2012 given our expectations of high market volatility on the back of European concerns as well as mixed corporate results.

Fund performance through the first half of the year was reasonable and reflected that our outlook broadly held true. We steadily added risk to the portfolio over the year. There was no specific sector preference, with new additions and companies in the portfolio being predominantly driven by bottom-up stock selection. The largest sector exposure increase came from the commodity and mining sectors, adding higher quality names within the sector. This was offset, to some extent, by a reduction in our exposure to the capital goods sector where we actively looked to reduce individual names that we believed could come under pressure in a weaker economic environment. We increased exposure to healthcare names, particularly in the pharmaceutical sector. Given an ageing global population it is our view that the need for healthcare products and services will continue to increase.

From August onwards, central bank stimulus, which included the European Central Bank (ECB) announcing unlimited bond-buying via its Outright Monetary Transactions (OMT) programme, US Federal Reserve chairman Ben Bernanke committing to a third round of quantitative easing and the Bank of Japan extending its own asset purchasing programme, pushed up higher-risk investments and markets enjoyed a strong, liquidity-driven rally. The asset classes that mainly benefited were corporate debt, distressed debt and junior financial debt, all of which we continued to dislike given the poor underlying fundamentals and valuations. Our relatively low exposure to these areas was a drag on performance, relative to our peers, but we felt that it was not prudent to chase these assets.

However, the telecommunications sector also generated very strong returns over the year and this is an area to which we maintain significant exposure. Telecommunications companies tend to exhibit strong cashflows and are relatively less sensitive to an economic slowdown or discretionary consumer spending. The Fund benefited from its holding in Japanese telecommunications company, Elster, a manufacturer of electronic utility meters and eAccess, which generated double-digit returns after being acquired by a larger, better-capitalised company.

Away from sector allocations we have tended to favour corporate issuers from emerging economies. These regions provide us with access to high quality companies with ratings constrained by the country's sovereign rating and, as such, generally have to pay investors a higher interest payment than their Western counterparts despite similar, if not better, underlying corporate fundamentals. We also added some exposure to investment grade companies (those rated BB or above) over the year as certain names, such as Virgin Media, offered very attractive yields and low risk profiles.

Significant purchases (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Ardagh Packaging Finance 7.375% 15/10/2017, OI European 6.75% 15/09/2020, IPIC GMTN 5.875% 14/03/2021, Boparan Finance 9.875% 30/04/2018, Carlson Wagonlit 7.5% 15/06/2019

Significant sales (2% of Net Asset Value and above or minimum of five holdings) during the year comprised:

Elster Finance 6.25% 15/04/2018, Europcar Floating 15/05/2013, Ardagh Glass Finance 9.25% 01/07/2016, Crown European 7.125% 15/08/2018, Consol Speciality Glass 7.625% 15/04/2014

Outlook

As we enter 2013, we believe the tail risks we faced at the beginning of 2012 have subsided. Central banks have shown they are prepared, where necessary, to support the markets. But, that is not to say that this year will be without risks. While the United States fiscal cliff has been avoided for now, the country needs to agree to a more concrete fiscal plan.

In Europe, the underlying issue is that parts of the region remain very uncompetitive, have debt levels that are clearly unsustainable and populations who are feeling the impact of extreme austerity measures. While the ECB's pledge to support government bond yields should buy some time, it is likely to take many years for the underlying situation to actually improve, with growth suffering in the interim.

That said, we believe credit continues to be an attractive asset class. Despite the broadly negative underlying economic environment, companies have continued to maintain their fundamental strength, with margins and liquidity successfully defended over the year. Even if we do start to see shareholder-friendly activity (activities in which company shareholders engage that may reveal a company's position on its own financial health or its general policy toward economic, social and political conditions) coming to the fore, the buffers in place mean that the impact to corporate bondholders will not be significant. Added exposure to corporate bonds and high yield both continue to offer attractive yields relative to government bonds and cash. 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.

**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.*

The opinions expressed herein are as at January 2013.

Risk and Reward profile*

Lower risk

Potentially lower rewards

Higher risk

Potentially higher rewards



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 charges are taken from capital. This will increase the level of income paid out to you by reducing the amount invested in your fund.

**The Risk and Reward profile is taken from the Key Investor Information Document. Please note that, the Risk and Reward profile section is based on Sterling "A" Class Income shares.*

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

American Fund

Portfolio Statement

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Banks 0.00% (31.12.11: 4.62%)			
Basic Resources 8.36% (31.12.11: 3.11%)			
Newmont Mining	254,286	7,083	3.38
Barrick Gold	273,924	5,763	2.75
Kinross Mining	802,961	4,679	2.23
		17,525	8.36
Financial Services 0.00% (31.12.11: 6.80%)			
Food & Beverage 2.97% (31.12.11: 0.00%)			
Mondelez International	250,974	3,921	1.87
Kraft Foods	83,670	2,299	1.10
		6,220	2.97
Health Care 21.03% (31.12.11: 16.32%)			
Pfizer	649,614	10,005	4.77
Medtronic	388,830	9,799	4.68
Zimmer	225,548	9,144	4.36
Merck & Co	332,187	8,351	3.99
Johnson & Johnson	157,600	6,770	3.23
		44,069	21.03
Industrial Goods & Services 4.64% (31.12.11: 5.53%)			
Northrop Grumman	149,737	6,183	2.95
3M	62,437	3,544	1.69
		9,727	4.64
Insurance 0.00% (31.12.11: 7.43%)			
Media 5.42% (31.12.11: 0.00%)			
Washington Post	31,702	7,079	3.38
Interpublic Group	642,016	4,281	2.04
		11,360	5.42
Oil & Gas 6.35% (31.12.11: 10.97%)			
Valero Energy	291,790	5,969	2.85
Baker Hughes	220,217	5,438	2.60
Patterson-UTI Energy	167,680	1,878	0.90
		13,285	6.35
Personal & Household Goods 7.56% (31.12.11: 1.43%)			
MDC Holdings	306,330	6,692	3.20
Avon Products	671,564	5,807	2.77
Procter & Gamble	80,272	3,334	1.59
		15,833	7.56
Retail 6.84% (31.12.11: 11.78%)			
Wal-Mart Stores	169,198	7,075	3.37
Staples	655,453	4,500	2.15
Home Depot	73,704	2,765	1.32
		14,340	6.84

American Fund**Portfolio Statement (continued)**

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Technology 18.12% (31.12.11: 23.59%)			
Cisco Systems	630,839	7,586	3.62
Dell	995,733	6,134	2.93
Symantec	522,904	5,874	2.80
DST Systems	157,359	5,821	2.78
Corning	659,497	5,087	2.43
Intel	403,855	5,054	2.41
Motorola Solutions	72,169	2,414	1.15
		37,970	18.12
Telecommunications 0.00% (31.12.11: 1.88%)			
Travel & Leisure 8.73% (31.12.11: 2.35%)			
International Speedway	395,419	6,587	3.14
Expedia	166,776	6,120	2.92
Southwest Airlines	606,862	3,814	1.82
Carnival	79,821	1,779	0.85
		18,300	8.73
Utilities 1.78% (31.12.11: 0.00%)			
Exelon	207,468	3,727	1.78
Corporate Bonds 0.00% (31.12.11: 0.48%)			
OTC Forward foreign exchange transactions 0.00% (31.12.11: 0.00%)			
Sell USD (5,151) for GBP	3,189	-	0.00
Portfolio of investments		192,356	91.80
Net other assets		17,179	8.20
Net assets		209,535	100.00

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings. The forward foreign exchange contract is not listed.

Asia ex Japan Fund

Portfolio Statement

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
China 17.28% (31.12.11: 22.16%)			
China Construction Bank	7,237,100	3,592	3.12
Industrial & Commercial Bank Of China	7,205,025	3,163	2.75
China Petroleum & Chemical	3,594,000	2,518	2.19
Bank Of China	7,737,589	2,143	1.86
China Shenhua Energy	777,500	2,100	1.82
PICC Property & Casualty	1,797,000	1,557	1.35
Lenovo	2,540,000	1,421	1.23
Great Wall Motor	651,750	1,259	1.09
Country Garden	3,478,907	1,127	0.98
China Railway Construction	1,467,000	1,028	0.89
		19,908	17.28
Hong Kong 27.58% (31.12.11: 22.11%)			
China Mobile	732,500	5,276	4.58
CNOOC	2,641,000	3,537	3.07
AIA Group	1,310,200	3,163	2.74
Cheung Kong	275,000	2,601	2.26
Hutchison Whampoa	324,000	2,091	1.81
Swire Pacific	242,000	1,850	1.61
Wharf Holdings	382,000	1,835	1.59
Hongkong Land	368,148	1,589	1.38
China Overseas Land & Investment	840,000	1,549	1.34
PCCW	4,855,000	1,317	1.14
SJM Holdings	910,000	1,303	1.13
China Resources Power	746,000	1,173	1.02
Galaxy Entertainment Group	416,000	1,006	0.87
Guangdong Investment	1,700,000	825	0.72
Cheung Kong Infrastructure	200,000	757	0.66
Yue Yuen Industrial	365,357	754	0.65
BOC Hong Kong	321,500	617	0.54
Techtronic Industries	471,500	540	0.47
		31,783	27.58
India 10.52% (31.12.11: 3.29%)			
ICICI Bank	137,492	1,767	1.53
State Bank of India	57,839	1,558	1.35
Tata Motors	402,464	1,421	1.23
Glenmark Pharmaceuticals	225,356	1,348	1.17
Tech Mahindra	126,632	1,331	1.16
Coal India	317,253	1,271	1.10
Oil & Natural Gas	379,714	1,147	1.00
Bank Of Baroda	91,336	891	0.77
Mahindra & Mahindra	83,303	877	0.76
Tata Consultancy Services	36,599	518	0.45
		12,129	10.52
Indonesia 0.56% (31.12.11: 2.24%)			
Indofood Sukses Makmur	1,706,000	641	0.56

Asia ex Japan Fund

Portfolio Statement (continued)

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Malaysia 3.56% (31.12.11: 3.51%)			
Sime Darby	733,700	1,410	1.22
Genting Malaysia	1,680,678	1,200	1.04
Axiata	630,600	841	0.73
Alliance Financial	745,500	657	0.57
		4,108	3.56
Philippines 1.38% (31.12.11: 1.84%)			
Alliance Global	3,935,300	990	0.86
Aboitiz Power	1,083,900	602	0.52
		1,592	1.38
Singapore 2.16% (31.12.11: 3.59%)			
Oversea-Chinese Banking	506,000	2,492	2.16
South Korea 19.82% (31.12.11: 21.91%)			
Samsung Electronics	9,759	8,576	7.44
Hyundai Motor	25,271	3,190	2.77
Samsung Heavy Industries	93,350	2,077	1.80
SK Innovation	19,318	1,942	1.69
Kia Motors	43,215	1,411	1.22
Hyundai Mobis	7,735	1,285	1.12
Hyundai Home Shopping Network	16,233	1,135	0.99
Lotte Shopping	4,469	970	0.84
DGB Financial	109,100	911	0.79
Korean Reinsurance	124,466	823	0.71
Grand Korea Leisure	31,300	518	0.45
		22,838	19.82
Taiwan 10.20% (31.12.11: 9.67%)			
Taiwan Semiconductor Manufacturing	1,614,357	3,332	2.89
Hon Hai Precision Industry	1,276,000	2,414	2.09
Asustek Computer	231,000	1,602	1.39
Fubon Financial	1,870,399	1,398	1.21
E.Sun Financial	3,378,767	1,166	1.01
Advanced Semiconductor Engineering	2,087,000	1,116	0.97
Lite-On Technology	893,170	732	0.64
		11,760	10.20
Thailand 2.88% (31.12.11: 3.91%)			
Krung Thai Bank	4,176,925	1,647	1.43
Bangkok Bank	219,600	928	0.81
PTT Global Chemical	522,754	740	0.64
		3,315	2.88
United Kingdom 1.97% (31.12.11: 0.00%)			
HSBC	200,000	1,295	1.12
Standard Chartered	62,267	978	0.85
		2,273	1.97

Asia ex Japan Fund**Portfolio Statement (continued)**

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
United States 0.63% (31.12.11: 2.66%)			
Jardine Strategic	32,000	724	0.63
Portfolio of investments		113,563	98.54
Net other assets		1,678	1.46
Net assets		115,241	100.00

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

European Fund

Portfolio Statement*

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Austria 0.00% (31.12.11: 0.71%)			
Belgium 0.00% (31.12.11: 3.33%)			
Denmark 0.00% (31.12.11: 2.85%)			
Finland 0.00% (31.12.11: 1.04%)			
France 0.00% (31.12.11: 13.67%)			
Germany 0.00% (31.12.11: 28.84%)			
Ireland 0.00% (31.12.11: 1.95%)			
Italy 0.00% (31.12.11: 1.70%)			
Luxembourg 0.00% (31.12.11: 1.33%)			
Netherlands 0.00% (31.12.11: 6.66%)			
Norway 0.00% (31.12.11: 6.05%)			
Portugal 0.00% (31.12.11: 1.20%)			
Spain 0.00% (31.12.11: 2.59%)			
Sweden 0.00% (31.12.11: 13.44%)			
Switzerland 0.00% (31.12.11: 13.66%)			
Portfolio of investments		-	-
Net other assets		27,619	100.00
Net assets		27,619	100.00

*The Fund does not hold any securities at the year end due to the proposed merger of European Fund into Global Franchise Fund (a sub-fund of Investec Funds Series iv) on 4 January 2013.

Global Energy Fund

Portfolio Statement

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Australia 2.47% (31.12.11: 0.00%)			
Santos	584,163	4,159	2.47
Canada 10.68% (31.12.11: 23.85%)			
Suncor Energy	449,986	8,998	5.34
Canadian Natural Resources	145,012	2,558	1.52
Talisman Energy	369,189	2,525	1.50
Precision Drilling	415,335	2,035	1.21
Enbridge	70,399	1,861	1.11
		17,977	10.68
France 4.82% (31.12.11: 6.08%)			
TOTAL	253,803	8,120	4.82
Italy 4.97% (31.12.11: 3.71%)			
ENI	559,844	8,374	4.97
Netherlands 0.00% (31.12.11: 2.77%)			
Norway 3.61% (31.12.11: 3.07%)			
Statoil	228,817	3,524	2.09
Petroleum Geo-Services	243,454	2,563	1.52
		6,087	3.61
Russia 4.80% (31.12.11: 0.00%)			
Gazprom	773,628	4,539	2.70
Lukoil	86,333	3,543	2.10
		8,082	4.80
Switzerland 4.93% (31.12.11: 8.32%)			
Weatherford International	637,109	4,166	2.48
Transocean	151,143	4,131	2.45
		8,297	4.93
United Kingdom 11.09% (31.12.11: 4.31%)			
Royal Dutch Shell 'B' Shares	391,953	8,562	5.09
Ensco	118,100	4,209	2.50
BG	336,506	3,409	2.03
Afren	1,885,741	2,482	1.47
		18,662	11.09
United States 51.37% (31.12.11: 46.25%)			
Petroleo Brasileiro	707,936	8,311	4.94
Halliburton	310,167	6,523	3.87
Valero Energy	313,316	6,409	3.81
Apache	122,939	5,859	3.48
Occidental Petroleum	117,632	5,483	3.26
Noble Energy	84,814	5,190	3.08
Exxon Mobil	94,077	4,953	2.94
Anadarko Petroleum	107,975	4,827	2.87
Cameron International	129,105	4,326	2.57
Baker Hughes	167,178	4,128	2.45
Marathon Oil	222,482	4,103	2.44
Chevron	51,066	3,362	2.00

Global Energy Fund**Portfolio Statement (continued)**

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
United States 51.37% (31.12.11: 46.25%) (continued)			
Newfield Exploration	207,132	3,304	1.96
Nabors Industries	380,963	3,299	1.96
Southwestern Energy	156,119	3,166	1.88
Devon Energy	78,273	2,476	1.47
National Oilwell Varco	60,275	2,455	1.46
QEP Resources	92,449	1,693	1.01
Oasis Petroleum	90,103	1,692	1.01
Schlumberger	39,458	1,658	0.98
CONSOL Energy	83,898	1,648	0.98
Ultra Petroleum	144,110	1,609	0.95
		86,474	51.37
<hr/>			
Portfolio of investments		166,232	98.74
Net other assets		2,118	1.26
Net assets		168,350	100.00

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

Global Free Enterprise Fund

Portfolio Statement

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Australia 2.92% (31.12.11: 2.47%)			
Telstra	3,657,348	10,251	2.92
Bermuda 0.00% (31.12.11: 0.71%)			
Brazil 2.34% (31.12.11: 3.15%)			
Cia De Saneamento Basico Do Estado De Sao Paulo	57,400	2,981	0.85
Telefonica Brasil	195,000	2,905	0.83
Banco Do Brasil	301,100	2,329	0.66
		8,215	2.34
Canada 1.17% (31.12.11: 1.46%)			
Valeant Pharmaceuticals International	112,829	4,107	1.17
China 2.42% (31.12.11: 3.46%)			
China Construction Bank	10,581,420	5,253	1.50
China Shenhua Energy	1,192,500	3,221	0.92
		8,474	2.42
Denmark 1.42% (31.12.11: 2.75%)			
Novo Nordisk	49,926	4,997	1.42
France 2.32% (31.12.11: 2.34%)			
Arkema	125,414	8,143	2.32
Germany 5.46% (31.12.11: 2.27%)			
Volkswagen	45,837	6,450	1.84
MTU Aero Engines	94,971	5,339	1.52
HeidelbergCement	123,952	4,618	1.32
ThyssenKrupp	189,407	2,752	0.78
		19,159	5.46
Hong Kong 2.83% (31.12.11: 2.47%)			
CNOOC	4,343,000	5,816	1.66
AIA Group	1,698,800	4,101	1.17
		9,917	2.83
India 0.97% (31.12.11: 0.00%)			
State Bank of India	126,599	3,410	0.97
Israel 0.86% (31.12.11: 1.60%)			
Teva Pharmaceutical	130,816	3,009	0.86
Italy 0.00% (31.12.11: 2.96%)			
Japan 8.11% (31.12.11: 8.65%)			
KDDI	178,300	7,781	2.21
Japan Tobacco	399,600	6,999	2.00
Credit Saison	375,700	5,782	1.65
Hitachi	1,595,000	5,770	1.64
Nexon	343,100	2,130	0.61
		28,462	8.11

Global Free Enterprise Fund

Portfolio Statement (continued)

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Mexico 2.23% (31.12.11: 1.88%)			
Fomento Economico Mexicano	745,800	4,605	1.31
Alfa	2,482,400	3,212	0.92
		7,817	2.23
Netherlands 4.82% (31.12.11: 3.24%)			
ING	1,978,942	11,411	3.25
LyondellBasell Industries	160,400	5,507	1.57
		16,918	4.82
Russia 2.17% (31.12.11: 1.12%)			
Lukoil	107,612	4,417	1.26
Sberbank of Russia	432,788	3,191	0.91
		7,608	2.17
Singapore 0.80% (31.12.11: 0.83%)			
Avago Technologies	145,700	2,805	0.80
South Africa 0.91% (31.12.11: 0.86%)			
MTN	248,119	3,205	0.91
South Korea 2.66% (31.12.11: 4.42%)			
Samsung Electronics	7,802	6,857	1.96
Shinhan Financial	110,470	2,473	0.70
		9,330	2.66
Sweden 1.09% (31.12.11: 0.81%)			
Swedbank	316,004	3,810	1.09
Switzerland 2.64% (31.12.11: 1.75%)			
Aryzta	164,609	5,210	1.49
Novartis	103,773	4,027	1.15
		9,237	2.64
United Kingdom 1.07% (31.12.11: 2.62%)			
BHP Billiton	175,097	3,755	1.07
United States 49.45% (31.12.11: 46.50%)			
Valero Energy	458,670	9,382	2.67
Pfizer	583,926	8,994	2.56
Macy's	384,723	8,888	2.53
Apple	27,457	8,652	2.47
UnitedHealth	246,238	8,202	2.34
Citigroup	306,973	7,405	2.11
Lincoln National	472,768	7,375	2.10
Comcast	319,414	7,220	2.06
AmerisourceBergen	259,656	6,877	1.96
Occidental Petroleum	136,649	6,370	1.82
JPMorgan Chase	229,100	6,128	1.75
Oracle	290,763	5,939	1.69
Illinois Tool Works	157,442	5,844	1.67
Qualcomm	135,076	5,064	1.44
CBS	219,505	5,003	1.43
Capital One Financial	123,092	4,348	1.24

Global Free Enterprise Fund

Portfolio Statement (continued)

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
United States 49.45% (31.12.11: 46.50%) (continued)			
Mylan	255,897	4,261	1.21
Fiserv	86,123	4,183	1.19
ValueClick	352,257	4,138	1.18
Marathon Petroleum	99,657	3,766	1.07
Tupperware Brands	95,233	3,691	1.05
Thermo Fisher Scientific	94,356	3,672	1.05
priceline.com	9,412	3,544	1.01
MetLife	175,589	3,504	1.00
Helmerich & Payne	103,615	3,496	1.00
EMC	226,975	3,486	0.99
KeyCorp	672,693	3,474	0.99
Molson Coors Brewing	130,855	3,457	0.99
Goldman Sachs	44,326	3,441	0.98
Tempur-Pedic International	157,587	2,957	0.84
Patterson-UTI Energy	247,874	2,777	0.79
Cliffs Natural Resources	124,335	2,736	0.78
Activision Blizzard	416,501	2,721	0.78
Nu Skin Enterprises	113,268	2,476	0.71
		173,471	49.45
<hr/>			
Portfolio of investments		346,100	98.66
Net other assets		4,697	1.34
Net assets		350,797	100.00

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings.

Monthly High Income Fund

Portfolio Statement

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Corporate Bonds 93.46% (31.12.11: 87.61%)			
Corporate Bonds – Maturity 0 to 5 years 29.10% (31.12.11: 27.24%)			
William Hill 7.125% 11/11/2016	£4,650,000	5,155	2.55
Ladbrokes Finance 7.625% 05/03/2017	£4,500,000	5,016	2.48
Edcon Proprietary Floating 15/06/2014	€5,950,000	4,659	2.30
Care UK Health & Social Care 9.75% 01/08/2017	£4,100,000	4,370	2.16
Boardriders 8.875% 15/12/2017	€4,500,000	3,854	1.90
Ardagh Packaging Finance 7.375% 15/10/2017	€4,200,000	3,755	1.85
Ineos 7.875% 15/02/2016	€4,400,000	3,563	1.76
TVN Finance 10.75% 15/11/2017	€3,750,000	3,376	1.67
Codere Finance Luxembourg 8.25% 15/06/2015	€4,850,000	3,268	1.61
Beverage Packaging Holdings Luxembourg II 8% 15/12/2016	€3,850,000	3,186	1.57
Inmarsat Finance 7.375% 01/12/2017	\$3,850,000	2,512	1.24
Vimpel Communications 8.25% 23/05/2016	\$3,400,000	2,372	1.17
Campofrio Food 8.25% 31/10/2016	€2,420,000	2,105	1.04
FMG Resources 7% 01/11/2015	\$3,247,000	2,063	1.02
Rexel 8.25% 15/12/2016	€2,300,000	2,054	1.01
Catalent Pharma Solutions 9.5% 15/04/2015	\$2,371,829	1,496	0.74
Schaeffler Finance 7.75% 15/02/2017	€1,200,000	1,096	0.54
Polish Television 11.25% 15/05/2017	€1,200,000	1,041	0.51
Ferrexpro Finance 7.875% 07/04/2016	\$1,700,000	1,019	0.50
Fresenius US Finance 9% 15/07/2015	\$1,350,000	962	0.47
Kabel Deutschland 6.5% 31/07/2017	€800,000	711	0.35
Perstorp 9% 15/05/2017	€800,000	682	0.34
Hrvatska Elektroprivreda 6% 09/11/2017	\$1,000,000	649	0.32
		58,964	29.10
Corporate Bonds – Maturity 5 to 15 years 58.73% (31.12.11: 56.94%)			
Cyfrowy Polsat Finance 7.125% 20/05/2018	€6,200,000	5,531	2.74
Ziggo Bond 8% 15/05/2018	€5,500,000	4,936	2.44
Cirsa Capital Luxembourg 8.75% 15/05/2018	€5,650,000	4,566	2.25
Greif Luxembourg Finance 7.375% 15/07/2021	€4,750,000	4,389	2.17
New World Resources 7.875% 01/05/2018	€4,950,000	4,180	2.06
Wind Acquisition Finance 7.375% 15/02/2018	€5,050,000	4,150	2.05
Orion Engineered Carbons Bondco 10% 15/06/2018	€4,455,000	4,007	1.98
Boparan Finance 9.875% 30/04/2018	£3,250,000	3,656	1.80
Vimpel Communications 7.748% 02/02/2021	\$5,000,000	3,582	1.77
OI European 6.75% 15/09/2020	€3,850,000	3,571	1.76
Levi Strauss 7.75% 15/05/2018	€4,250,000	3,562	1.76
Carlson Wagonlit 7.5% 15/06/2019	€4,050,000	3,516	1.74
Aguila 7.875% 31/01/2018	\$5,200,000	3,418	1.69
Investec Bank 9.625% 17/02/2022†	£3,137,000	3,409	1.68
Brenntag Finance 5.5% 19/07/2018	€3,500,000	3,176	1.57
IPIC GMTN 5.875% 14/03/2021	€3,110,000	3,089	1.52
Eileme 11.75% 31/01/2020	€3,000,000	2,839	1.40

Monthly High Income Fund

Portfolio Statement (continued)

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
Corporate Bonds – Maturity 5 to 15 years 58.73% (31.12.11: 56.94%) (continued)			
Ono Finance II 11.125% 15/07/2019	€3,600,000	2,784	1.37
Labco 8.5% 15/01/2018	€3,300,000	2,770	1.37
Kabel Deutschland Vertrieb und Service 6.5% 29/06/2018	€3,120,000	2,750	1.36
Iron Mountain 6.75% 15/10/2018	€3,300,000	2,745	1.35
Smurfit Kappa Acquisitions 7.75% 15/11/2019	€2,950,000	2,663	1.31
eAccess 8.375% 01/04/2018	€2,850,000	2,627	1.30
ARD Finance 11.125% 01/06/2018	€3,068,320	2,612	1.29
Phones4u Finance 9.5% 01/04/2018	£2,250,000	2,341	1.16
Hypermarcas 6.5% 20/04/2021	\$3,350,000	2,238	1.10
Sunrise Communications 8.5% 31/12/2018	€2,400,000	2,138	1.06
First Hydro Finance 9% 31/07/2021	£1,750,000	2,134	1.05
Fiat Finance & Trade 7.375% 09/07/2018	€2,500,000	2,127	1.05
UPC 9.75% 15/04/2018	€2,300,000	2,006	0.99
ConvaTec Healthcare 10.875% 15/12/2018	€2,150,000	1,995	0.98
TAM Capital 8.375% 03/06/2021	\$2,900,000	1,978	0.98
Virgin Media Secure Finance 7% 15/01/2018	£1,800,000	1,949	0.96
Rexel 6.125% 15/12/2019	\$2,900,000	1,893	0.93
Bombardier 7.5% 15/03/2018	\$2,800,000	1,886	0.93
Unitymedia Hessen 9.5% 15/03/2021	€1,350,000	1,276	0.63
Smurfit Kappa Acquisitions 5.125% 15/09/2018	€1,400,000	1,205	0.59
Unitymedia Hessen 5.75% 15/01/2023	€1,400,000	1,187	0.59
Bombardier 7.5% 15/03/2018	\$1,740,000	1,185	0.58
Schaeffler Finance 8.75% 15/02/2019	€1,200,000	1,127	0.56
Ciech Group Financing 9.5% 30/11/2019	€1,250,000	1,124	0.55
Foocorp Proprietary 8.75% 01/03/2018	€1,250,000	1,120	0.55
Virgin Media Finance 5.125% 15/02/2022	£1,100,000	1,113	0.55
CFR International 5.125% 06/12/2022	\$1,650,000	1,061	0.52
Nexans 4.25% 19/03/2018	€900,000	734	0.36
Rottapharm 6.125% 15/11/2019	€800,000	675	0.33
		119,020	58.73
Corporate Bonds – Maturity 15+ years 5.63% (31.12.11: 3.43%)			
Lottomatica 8.25% 31/03/2066	€4,750,000	4,063	2.00
Rexam 6.75% 29/06/2067	€3,550,000	3,031	1.50
Linde Finance 7.375% 14/07/2066	€2,200,000	2,100	1.04
Vale 5.625% 11/09/2042	\$1,650,000	1,117	0.55
Russian Railways 7.487% 25/03/2031	£900,000	1,098	0.54
		11,409	5.63
Credit Default Swaps (0.01%) (31.12.11: 1.12%)			
ITRAXX 5% 20/12/2017	3,100,000	(26)	(0.01)

Monthly High Income Fund

Portfolio Statement (continued)

As at 31 December 2012

Security	Holding	Market value (£'000)	Percentage of net assets (%)
OTC Forward foreign exchange transactions (0.21%) (31.12.11: 1.66%)			
Buy EUR 9,080,000 for GBP	(7,394,244)	18	0.01
Sell EUR (171,548,780) for GBP	139,463,065	(576)	(0.29)
	(162,468,780)	132,068,821	
Buy USD 510,000 for GBP	(314,750)	1	-
Sell USD (49,097,623) for GBP	30,510,762	133	0.07
	(48,587,623)	30,196,012	
		(424)	(0.21)
Portfolio of investments*		188,943	93.24
Net other assets		13,696	6.76
Net assets		202,639	100.00

* including investment liabilities

† A related party to the Fund.

Unless otherwise stated the above securities are admitted to official stock exchange listings.

The credit default swaps and the forward foreign exchange contracts are not listed.

Monthly High Income Fund

Portfolio Analysis

Security	31.12.12		31.12.11	
	Market value (£'000)	Percentage of net assets (%)	Market value (£'000)	Percentage of net assets (%)
Bonds	189,393	93.46	161,211	87.61
Derivatives	(450)	(0.22)	5,126	2.78
Net other assets	13,696	6.76	17,677	9.61
Net assets	202,639	100.00	184,014	100.00

Credit Breakdown*

Security	31.12.12		31.12.11	
	Market value (£'000)	Percentage of net assets (%)	Market value (£'000)	Percentage of net assets (%)
AA	3,089	1.52	-	-
A	-	-	-	-
BBB	6,264	3.09	457	0.25
BB	90,165	44.50	76,334	41.48
B	67,818	33.48	67,600	36.74
CCC	19,923	9.82	14,006	7.61
Unrated	2,134	1.05	2,814	1.53
	189,393	93.46	161,211	87.61

*Bond ratings are Investec approximations.

Authorised Corporate Director's report

The Authorised Corporate Director ("ACD") of Investec Funds Series ii (the "Company") is Investec Fund Managers Limited. The ACD is the sole director of the Company.

Authorised Status

The Company is an investment company with variable capital incorporated in England and Wales under registered number IC125 and authorised by the Financial Services Authority ("FSA") with effect from 10 June 2005.

The Company is structured as an umbrella company, in that different sub funds (the "Funds") may be established from time to time by the ACD with the approval of the FSA. The Company currently comprises of six Funds.

The Company (and therefore the Funds) have been certified by the FSA as complying with the conditions necessary for it to enjoy rights conferred by the EC Directive on Undertakings for Collective Investment in Transferable Securities ("UCITS"). The Company has an unlimited duration. The assets of each Fund will be treated as separate from those of every other Fund and will be invested in accordance with the investment objective and investment policy applicable to that Fund. Investment of the assets of each of the Funds must comply with the FSA Collective Investment Scheme ("COLL") Sourcebook and the investment objective and policy of the relevant Fund.

Each Fund has a specific portfolio to which that Fund's assets and liabilities are attributable. So far as shareholders are concerned, each Fund is treated as a separate entity.

Creditors of the Company may nevertheless look to all the assets of the Company for payment regardless of the Fund in respect of which that creditor's debt has arisen. Assets may be re-allocated to and from other Funds of the Company in the highly unlikely event that a Fund's assets are insufficient to meet its liabilities. In the event that any assets are so reallocated, the ACD will advise shareholders in the next succeeding annual or half yearly report to shareholders. Please see the note below entitled "Conversion to protected cell status".

Subject to the above, each Fund will be charged with the liabilities, expenses, costs and charges of the Company attributable to that Fund, and within each Fund charges will be allocated between share classes in accordance with their terms of issue. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the ACD in a manner which it believes is fair to the shareholders generally. This will normally be pro rata to the net asset value of the relevant Funds.

Accounting period covered by these accounts

The accounting period covered in these accounts is from 1 January 2012 to 31 December 2012.

Changes during the accounting period

Changes made following required notice:

After consultation with the Depositary and in accordance with the requirements of Section 4.3 of the COLL Sourcebook, Shareholders were given notice of the following changes.

- on 3 August 2012 that the American Fund changed from being managed by the Sub-Investment Manager, Thornburg Investment Management Inc back to the direct investment management of Investec Assets Management Limited effective 20 August 2012; and

Investec Funds Series ii

- on 16 November 2012 of the proposed merger, subject to Shareholder approval of the European Fund into the Global Franchise Fund (a sub-fund of Investec Funds Series iv). Shareholder approval was given at the extraordinary general meeting on 7 December 2012 and the merger took place on 4 January 2013.

Other relevant changes:

The following share class was launched on 2 May 2012:

- Monthly High Income, I Income Net, GBP

The following USD share classes were launched on 8 May 2012

- American, A, Accumulation, Net, USD
- Global Energy, A, Accumulation, Net, USD
- Global Energy, I, Accumulation, Net, USD
- Global Free Enterprise, A, Accumulation, Net, USD

The following share class was closed on 26 November 2012:

- Global Energy, I Accumulation, Net, USD

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

Change of registered office

On 8 October 2012 the registered office of each of the Company, the ACD and the Investment Manager to the Company changed from 2 Gresham Street, London EC2V 7QP to Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA.

Conversion to protected cell status

From 19 February 2013 the Company took on protected status following FSA 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.

Corporate address details

Investec Fund Managers Limited
Woolgate Exchange
25 Basinghall Street
London
EC2V 5HA

A. Gallagher
Director of the ACD

D. Aird
Director of the ACD

22 February 2013

Statement of Authorised Corporate Director's (ACD) responsibilities

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the Regulations. The Financial Services Authority's Collective Investment Schemes Sourcebook requires the ACD to prepare Report and Accounts for each annual accounting period that give a true and fair view of the state of affairs of the Company and of its income and expenditure, and gains/losses for the period.

The ACD confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the Report and Accounts for the year ended 31 December 2012. The Report and Accounts comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the IMA. The ACD also confirms that applicable accounting standards have been followed and that the Report and Accounts have been prepared on a going concern basis.

The ACD is responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Report and Accounts are published on the www.investecassetmanagement.com website, which is a website maintained by Investec Asset Management Limited ("Investec"). The maintenance and integrity of the website maintained by Investec or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Investec. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

Statement of Depositary's responsibilities in respect of the Company and Report of the Depositary to the shareholders of Investec Funds Series ii for the year ended 31 December 2012

The Depositary is responsible for the safekeeping of all of the property of the Company (other than tangible moveable property) which is entrusted to it. It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial Services Authority's Collective Investment Scheme Sourcebook (COLL), the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the OEIC Regulations) and the Company's Instrument of Incorporation, in relation to the pricing of, and dealings in, shares in the Company; the application of income of the Company; and the investment and borrowing powers of the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the Authorised Corporate Director:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the COLL and, where applicable, the OEIC Regulations and the Instrument of Incorporation of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

State Street Trustees Limited
London

22 February 2013

Independent Auditor's report to the Shareholders of Investec Funds Series ii ("the Company")

We have audited the financial statements of the Company for the year ended 31 December 2012 set out on pages 47 to 122. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Services Authority under the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Authorised Corporate Director ('the ACD') Investec Fund Managers Limited and auditor

As explained more fully in the Statement of ACD Responsibilities set out on page 36 the ACD is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the financial position of the Company as at 31 December 2012 and of the net revenue and the net capital gains on the property of the Company for the year then ended; and
- have been properly prepared in accordance with the Instrument of Incorporation, the Statement of Recommended Practice relating to Authorised Funds and the COLL Rules.

Opinion on other matters prescribed by the COLL Rules

In our opinion the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

We have received all the information and explanations which we consider necessary for the purposes of our audit.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records.

Ravi Lamba

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

22 February 2013

Performance records

Calendar year

all figures in pence

2012 2011 2010 2009 2008

American Fund 'A' Class (Accumulation shares)

Accumulation share high	176.28	186.66	176.48	157.02	152.55
Accumulation share low	143.20	134.54	143.85	96.75	95.59
Net revenue per accumulation share	-	-	-	0.74	0.20

American Fund 'A' Class (Accumulation shares) (GBP Hedge) ⁽³⁾

Accumulation share high	141.54	153.42	137.96	126.10	-
Accumulation share low	112.46	104.86	112.60	96.87	-
Net revenue per accumulation share	-	-	-	0.43	-

American Fund 'A' Class (USD Accumulation shares) ⁽⁶⁾

Accumulation share high (US cent)	254.75	-	-	-	-
Accumulation share low (US cent)	221.77	-	-	-	-
Net revenue per accumulation share (US cent)	-	-	-	-	-

American Fund 'B' Class (Accumulation shares)

Accumulation share high	179.77	189.83	179.41	159.23	153.75
Accumulation share low	146.11	137.04	146.11	97.80	96.56
Net revenue per accumulation share	0.32	-	0.02	1.07	0.56

American Fund 'I' Class (Accumulation shares) ⁽²⁾

Accumulation share high	112.21	117.88	111.37	98.61	94.80
Accumulation share low	91.30	85.34	90.62	60.48	59.67
Net revenue per accumulation share	0.71	0.15	0.27	0.87	0.55

American Fund 'S' Class (Accumulation shares)

Accumulation share high	129.58	134.97	127.32	111.59	105.33
Accumulation share low	105.60	98.21	103.28	67.91	66.81
Net revenue per accumulation share	1.72	1.15	1.42	1.82	1.51

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

Accumulation share high	351.77	365.36	356.70	274.08	273.91
Accumulation share low	300.73	269.95	251.40	156.86	138.97
Net revenue per accumulation share	2.53	2.91	2.58	2.06	2.71

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

Accumulation share high	3,555.30	3,678.81	3,586.90	2,749.08	2,741.70
Accumulation share low	3,034.62	2,719.79	2,522.09	1,570.73	1,390.54
Net revenue per accumulation share	33.52	37.49	33.46	23.21	32.67

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

Accumulation share high	168.42	173.00	168.35	128.72	127.67
Accumulation share low	143.33	128.06	118.11	73.36	64.90
Net revenue per accumulation share	2.37	2.45	1.92	1.47	1.71

Performance records

Calendar year all figures in pence	2012	2011	2010	2009	2008
Asia ex Japan Fund 'S' Class (Accumulation shares) ⁽⁴⁾					
Accumulation share high	353.36	358.96	173.84	131.71	128.55
Accumulation share low	298.61	266.20	120.94	74.49	65.70
Net revenue per accumulation share	7.25	7.70	3.42	2.36	2.48
European Fund Fund 'A' Class (Accumulation shares)					
Accumulation share high	333.49	342.73	321.31	290.98	345.71
Accumulation share low	266.41	240.18	248.86	183.28	188.84
Net revenue per accumulation share	3.47	5.36	1.84	4.46	5.57
European Fund Fund 'I' Class (Accumulation shares) ⁽¹⁾					
Accumulation share high	114.54	116.27	108.80	97.78	111.90
Accumulation share low	91.09	81.71	83.99	61.42	63.19
Net revenue per accumulation share	1.97	2.49	1.11	1.90	2.39
Global Energy Fund 'A' Class (Accumulation shares)					
Accumulation share high	257.26	290.20	260.33	233.66	269.42
Accumulation share low	198.80	192.06	206.97	152.46	131.72
Net revenue per accumulation share	0.60	1.35	1.14	2.50	0.58
Global Energy Fund 'A' Class (USD Accumulation shares) ⁽⁶⁾					
Accumulation share high (US cent)	406.67	-	-	-	-
Accumulation share low (US cent)	310.89	-	-	-	-
Net revenue per accumulation share (US cent)	1.35	-	-	-	-
Global Energy Fund 'I' Class (Accumulation shares)					
Accumulation share high	270.11	302.63	270.95	241.03	275.06
Accumulation share low	209.24	201.06	214.88	152.46	134.94
Net revenue per accumulation share	2.45	3.37	2.90	4.04	1.69
Global Energy Fund 'S' Class (Accumulation shares)					
Accumulation share high	168.00	186.99	167.09	147.25	166.21
Accumulation share low	130.47	124.69	132.18	95.19	81.91
Net revenue per accumulation share	2.63	3.33	2.93	2.94	3.05
Global Free Enterprise Fund 'A' Class (Accumulation shares)					
Accumulation share high	429.73	436.37	412.46	363.62	429.68
Accumulation share low	373.65	329.82	333.37	242.25	252.55
Net revenue per accumulation share	2.11	0.78	-	2.94	3.33
Global Free Enterprise Fund 'A' Class (USD Accumulation shares) ⁽⁶⁾					
Accumulation share high (US cent)	700.38	-	-	-	-
Accumulation share low (US cent)	586.26	-	-	-	-
Net revenue per accumulation share (US cent)	3.44	-	-	-	-

Performance records

Calendar year all figures in pence	2012	2011	2010	2009	2008
Global Free Enterprise Fund 'I' Class (Accumulation shares)					
Accumulation share high	105.51	105.99	99.85	87.53	102.44
Accumulation share low	91.35	80.25	80.46	58.07	60.46
Net revenue per accumulation share	1.24	0.84	0.27	1.10	1.15
Global Free Enterprise Fund 'S' Class (Accumulation shares)					
Accumulation share high	125.51	124.69	116.93	101.55	116.58
Accumulation share low	108.12	94.60	93.80	66.76	69.33
Net revenue per accumulation share	2.38	1.90	1.34	2.03	2.11
Monthly High Income Fund 'A' Class (Net Accumulation shares)					
Accumulation share high	183.71	171.23	166.21	148.28	133.90
Accumulation share low	156.69	145.90	148.86	103.44	102.00
Net revenue per accumulation share	9.99	9.87	9.86	9.06	8.52
Monthly High Income Fund 'A' Class (Net Income shares)					
Income share high	74.80	76.60	77.18	72.85	75.03
Income share low	66.98	63.82	70.55	54.13	54.15
Net revenue per income share	4.17	4.41	4.69	4.57	4.63
Monthly High Income Fund 'I' Class (Net Accumulation shares) ⁽¹⁾					
Accumulation share high	146.57	135.40	130.87	116.47	104.23
Accumulation share low	124.23	115.62	116.93	81.01	79.85
Net revenue per accumulation share	7.93	7.84	7.90	7.10	5.63
Monthly High Income Fund 'I' Class (Net Income shares) ⁽⁵⁾					
Income share high	105.64	-	-	-	-
Income share low	97.57	-	-	-	-
Net revenue per income share	3.85	-	-	-	-
Monthly High Income Fund 'S' Class (Gross Accumulation shares) ⁽²⁾					
Accumulation share high	189.30	168.83	161.01	140.87	-
Accumulation share low	157.16	145.35	141.43	98.62	-
Net revenue per accumulation share	12.69	12.69	11.83	9.85	-

(1) Launched 3 March 2008

(2) Launched 30 January 2009

(3) Launched 7 May 2009

(4) Consolidation 18 July 2011

(5) Launched 2 May 2012

(6) Launched 8 May 2012

High and low prices are quoted at Mid valuation

Shares in issue, net asset values, total expense ratios, ongoing charges and portfolio turnover rates per fund

	31 December 2012	31 December 2011	31 December 2010
American Fund 'A' Class (Accumulation shares)			
Total net asset value (£'000)	185,777	388,255	633,378
Net asset value per share (p)	149.70	151.12	174.99
Number of shares in issue	124,095,244	256,914,994	361,954,747
Total expense ratio	1.62%*	1.60%	1.61%
Ongoing charges	1.62%	1.60%	-
Portfolio turnover rate	155%	64%	88%

American Fund 'A' Class (Accumulation shares) (GBP Hedge)

Total net asset value (£'000)	348	15,112	8,643
Net asset value per share (p)	123.06	118.35	137.94
Number of shares in issue	282,542	12,768,494	6,265,667
Total expense ratio	1.67%*	1.64%	1.66%
Ongoing charges	1.67%	1.65%	-
Portfolio turnover rate	155%	64%	88%

American Fund 'A' Class (USD Accumulation shares) ⁽³⁾

Total net asset value (US\$'000)	2,682	-	-
Net asset value per share (US cent)	242.02	-	-
Number of shares in issue	1,108,256	-	-
Total expense ratio	1.62%*	-	-
Ongoing charges	1.62%	-	-
Portfolio turnover rate	155%	-	-

American Fund 'B' Class (Accumulation shares)

Total net asset value (£'000)	6,925	8,421	10,458
Net asset value per share (p)	152.97	154.01	177.89
Number of shares in issue	4,527,268	5,467,843	5,878,648
Total expense ratio	1.37%*	1.35%	1.36%
Ongoing charges	1.37%	1.35%	-
Portfolio turnover rate	155%	64%	88%

American Fund 'I' Class (Accumulation shares)

Total net asset value (£'000)	12,682	104,419	121,751
Net asset value per share (p)	95.85	96.03	110.43
Number of shares in issue	13,230,501	108,734,303	110,247,233
Total expense ratio	0.87%*	0.92%	1.11%
Ongoing charges	0.87%	0.85%	-
Portfolio turnover rate	155%	64%	88%

American Fund 'S' Class (Accumulation shares)

Total net asset value (£'000)	2,145	2,559	3,383
Net asset value per share (p)	111.34	110.70	126.28
Number of shares in issue	1,926,290	2,311,793	2,679,319
Total expense ratio	0.12%*	0.10%	0.11%
Ongoing charges	0.12%	0.11%	-
Portfolio turnover rate	155%	64%	88%

Shares in issue, net asset values, total expense ratios, ongoing charges and portfolio turnover rates per fund

	31 December 2012	31 December 2011	31 December 2010
Asia ex Japan Fund 'A' Class (Accumulation shares)			
Total net asset value (£'000)	108,489	210,812	261,634
Net asset value per share (p)	350.44	300.32	354.67
Number of shares in issue	30,958,148	70,195,663	73,768,582
Total expense ratio	1.74%*	1.68%	1.62%
Ongoing charges	1.74%	1.72%	-
Portfolio turnover rate	70%	64%	76%

Asia ex Japan Fund 'B' Class (Accumulation shares)			
Total net asset value (£'000)	4,607	4,389	5,797
Net asset value per share (p)	3,541.61	3,027.71	3,566.50
Number of shares in issue	130,082	144,961	162,554
Total expense ratio	1.49%*	1.43%	1.37%
Ongoing charges	1.49%	1.47%	-
Portfolio turnover rate	70%	64%	76%

Asia ex Japan Fund 'I' Class (Accumulation shares)			
Total net asset value (£'000)	1,787	7,332	9,995
Net asset value per share (p)	167.81	142.72	167.39
Number of shares in issue	1,064,847	5,137,452	5,970,866
Total expense ratio	0.99%*	1.00%	1.12%
Ongoing charges	0.99%	0.97%	-
Portfolio turnover rate	70%	64%	76%

Asia ex Japan Fund 'S' Class (Accumulation shares) ⁽¹⁾			
Total net asset value (£'000)	358	346	18,938
Net asset value per share (p)	351.93	297.28	172.89
Number of shares in issue	101,855	116,388	10,953,925
Total expense ratio	0.24%*	0.18%	0.12%
Ongoing charges	0.24%	0.22%	-
Portfolio turnover rate	70%	64%	76%

European Fund 'A' Class (Accumulation shares)			
Total net asset value (£'000)	27,400	25,886	36,039
Net asset value per share (p)	331.15	265.64	320.78
Number of shares in issue	8,274,228	9,744,846	11,235,013
Total expense ratio	1.69%*	1.62%	1.61%
Ongoing charges	n/a	1.65%	-
Portfolio turnover rate	194%	94%	111%

European Fund 'I' Class (Accumulation shares)			
Total net asset value (£'000)	219	23	30
Net asset value per share (p)	113.75	90.18	108.61
Number of shares in issue	192,724	25,504	27,535
Total expense ratio	0.94%*	0.94%	1.11%
Ongoing charges	n/a	0.90%	-
Portfolio turnover rate	194%	94%	111%

Shares in issue, net asset values, total expense ratios, ongoing charges and portfolio turnover rates per fund

	31 December 2012	31 December 2011	31 December 2010
Global Energy Fund 'A' Class (Accumulation shares)			
Total net asset value (£'000)	101,492	160,416	188,516
Net asset value per share (p)	219.41	225.82	259.46
Number of shares in issue	46,255,787	71,037,020	72,657,436
Total expense ratio	1.62%*	1.61%	1.61%
Ongoing charges	1.62%	1.62%	-
Portfolio turnover rate	129%	139%	204%

Global Energy Fund 'A' Class (USD Accumulation shares) ⁽³⁾

Total net asset value (US\$'000)	3,197	-	-
Net asset value per share (US cent)	354.65	-	-
Number of shares in issue	901,408	-	-
Total expense ratio	1.62%*	-	-
Ongoing charges	1.62%	-	-
Portfolio turnover rate	129%	-	-

Global Energy Fund 'I' Class (Accumulation shares)

Total net asset value (£'000)	60,099	59,382	78,027
Net asset value per share (p)	231.85	236.87	270.08
Number of shares in issue	25,921,704	25,070,010	28,889,952
Total expense ratio	0.87%*	0.86%	0.86%
Ongoing charges	0.87%	0.87%	-
Portfolio turnover rate	129%	139%	204%

Global Energy Fund 'S' Class (Accumulation shares)

Total net asset value (£'000)	4,781	5,217	14,911
Net asset value per share (p)	145.13	147.19	166.57
Number of shares in issue	3,294,556	3,544,702	8,951,908
Total expense ratio	0.12%*	0.11%	0.11%
Ongoing charges	0.12%	0.12%	-
Portfolio turnover rate	129%	139%	204%

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

Total net asset value (£'000)	166,569	170,264	244,782
Net asset value per share (p)	423.20	374.84	410.65
Number of shares in issue	39,359,143	45,423,049	59,608,323
Total expense ratio	1.62%*	1.62%	1.61%
Ongoing charges	1.62%	1.63%	-
Portfolio turnover rate	79%	105%	170%

Global Free Enterprise Fund 'A' Class (USD Accumulation shares) ⁽³⁾

Total net asset value (US\$'000)	5,291	-	-
Net asset value per share (US cent)	684.10	-	-
Number of shares in issue	773,483	-	-
Total expense ratio	1.62%*	-	-
Ongoing charges	1.62%	-	-
Portfolio turnover rate	79%	-	-

Shares in issue, net asset values, total expense ratios, ongoing charges and portfolio turnover rates per fund

	31 December 2012	31 December 2011	31 December 2010
Global Free Enterprise Fund 'I' Class (Accumulation shares)			
Total net asset value (£'000)	776	654	593
Net asset value per share (p)	103.91	91.40	99.31
Number of shares in issue	746,514	715,538	596,780
Total expense ratio	0.87%*	0.93%	1.11%
Ongoing charges	0.87%	0.88%	-
Portfolio turnover rate	79%	105%	170%

Global Free Enterprise Fund 'S' Class (Accumulation shares)			
Total net asset value (£'000)	180,179	186,943	205,910
Net asset value per share (p)	123.66	107.90	116.37
Number of shares in issue	145,706,389	173,259,344	176,941,162
Total expense ratio	0.12%*	0.12%	0.11%
Ongoing charges	0.12%	0.14%	-
Portfolio turnover rate	79%	105%	170%

Monthly High Income Fund 'A' Class (Net Accumulation shares)			
Total net asset value (£'000)	53,330	54,843	62,101
Net asset value per share (p)	182.59	154.85	164.23
Number of shares in issue	29,208,112	35,416,595	37,813,113
Total expense ratio	1.36%*	1.35%	1.14%
Ongoing charges	1.36%	1.36%	-
Portfolio turnover rate	42%	109%	163%

Monthly High Income Fund 'A' Class (Net Income shares)			
Total net asset value (£'000)	122,287	111,969	109,229
Net asset value per share (p)	73.70	66.22	74.72
Number of shares in issue	165,921,937	169,085,546	146,184,872
Total expense ratio	1.36%*	1.35%	1.14%
Ongoing charges	1.36%	1.36%	-
Portfolio turnover rate	42%	109%	163%

Monthly High Income Fund 'I' Class (Net Accumulation shares)			
Total net asset value (£'000)	4,031	3,031	5,193
Net asset value per share (p)	145.68	122.80	129.54
Number of shares in issue	2,767,449	2,468,544	4,008,663
Total expense ratio	0.76%*	0.76%	0.81%
Ongoing charges	0.76%	0.76%	-
Portfolio turnover rate	42%	109%	163%

Monthly High Income Fund 'I' Class (Net Income shares) ⁽²⁾			
Total net asset value (£'000)	1,050	-	-
Net asset value per share (p)	104.32	-	-
Number of shares in issue	1,006,311	-	-
Total expense ratio	0.76%*	-	-
Ongoing charges	0.76%†	-	-
Portfolio turnover rate	42%	-	-

Shares in issue, net asset values, total expense ratios, ongoing charges and portfolio turnover rates per fund

	31 December 2012	31 December 2011	31 December 2010
Monthly High Income Fund 'S' Class (Gross Accumulation shares)			
Total net asset value (£'000)	21,941	14,171	24,098
Net asset value per share (p)	188.19	155.35	160.11
Number of shares in issue	11,658,995	9,121,935	15,051,323
Total expense ratio	0.11%*	0.10%	0.11%
Ongoing charges	0.11%	0.12%	-
Portfolio turnover rate	42%	109%	163%

(1) Consolidation 18 July 2011

(2) Launched 2 May 2012

(3) Launched 8 May 2012

* The total expense ratio is calculated in accordance with the IMA guidance published in August 2012. (This figure now includes custodian transaction charges).

The Ongoing Charge Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

The ongoing charges figure is based on expenses for the year ending 31 December 2012.

† The ongoing charges figure shown here is an estimate of the charges, as the share class was recently launched.

The above Portfolio Turnover have been calculated for the period 1 January 2012 to 31 December 2012

$$\frac{(\text{Purchases} - \text{Creations}) + (\text{Sales} - \text{Liquidations})}{\text{Average Net Asset Value for the year}} \times \frac{100}{1}$$

(p) = pence

Net asset value per share quoted at Bid valuation.

Financial Statements

Aggregated Statement of Total Return

For the year ended 31 December 2012

	Note	31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		91,677		(263,474)
Revenue	6	40,581		47,862	
Expenses	7	(17,716)		(24,833)	
Finance costs: Interest	9	(10)		(18)	
Net revenue before taxation		22,855		23,011	
Taxation	8	(2,961)		(3,412)	
Net revenue after taxation			19,894		19,599
Total return before distributions			111,571		(243,875)
Finance costs: Distributions	9		(23,095)		(25,211)
Change in net assets attributable to shareholders from investment activities			88,476		(269,086)

Aggregated Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2012

	31.12.12		31.12.11	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		1,534,444		2,043,406
Amounts receivable on issue of shares	241,041		532,016	
Amounts payable on cancellation of shares	(801,887)		(785,839)	
		(560,846)		(253,823)
Dilution adjustment		696		-
Stamp duty reserve tax		(27)		(61)
Change in net assets attributable to shareholders from investment activities		88,476		(269,086)
Retained distribution on accumulation shares		11,436		13,994
Unclaimed distributions		2		14
Closing net assets attributable to shareholders		1,074,181		1,534,444

The aggregated financial statements represent the sum of the assets and liabilities of the Funds which comprise Investec Funds Series ii.

Aggregated Balance Sheet

As at 31 December 2012

		31.12.12		31.12.11	
	Note	£'000	£'000	£'000	£'000
ASSETS					
Investment assets			1,007,796		1,481,077
Debtors	10	27,346		11,661	
Cash and bank balances	11	193,286		153,993	
Total other assets			220,632		165,654
Total assets			1,228,428		1,646,731
LIABILITIES					
Investment liabilities			602		444
Creditors	12	4,059		9,105	
Bank overdrafts		147,971		100,688	
Distribution payable on income shares		1,615		2,050	
Total other liabilities			153,645		111,843
Total liabilities			154,247		112,287
Net assets attributable to shareholders			1,074,181		1,534,444

The aggregated financial statements represent the sum of the assets and liabilities of the Funds which comprise Investec Funds Series ii.

We hereby certify the Final Report and Accounts on behalf of the Directors of Investec Fund Managers Limited.

A. Gallagher
Director of the ACD
22 February 2013

D. Aird
Director of the ACD

Notes to the aggregated financial statements

For the year ended 31 December 2012

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, and in accordance with the revised Statement of Recommended Practice (SORP) for Authorised Funds issued by the IMA in October 2010.

The adoption of the revised SORP has not impacted on the accounting or presentation of the financial statements. The Annual Report has continued to include disclosures relating to the Portfolio Turnover Rate although such disclosures are no longer mandatory.

The aggregate financial statements represent the sum of the individual Funds within the umbrella company.

b) Valuation of investments

The investments of the Funds have been valued at market value at noon on 31 December 2012 net of any accrued interest. Suspended securities are valued at the last traded price or at the Fund Manager's best estimate of fair value based on market information and particular circumstances that led to the suspension subject to agreement from the ACD's valuation committee.

Market value is defined by the SORP as fair value which is generally the bid value.

Derivatives – Open derivatives positions are valued at their fair value. The fair value is the price required to close out the contract at the balance sheet date.

Forward foreign exchange – Open forward foreign exchange contracts are valued at the appropriate forward foreign exchange rates ruling at noon on 31 December 2012.

Gains/losses on foreign exchange contracts used to manage the foreign exchange risk on investments and other foreign capital instruments is allocated to capital.

c) Exchange rates

Assets and liabilities held in overseas currencies have been translated into sterling at the exchange rates ruling at noon on 31 December 2012. Transactions during the year are translated at the rate ruling on the transaction date.

d) Recognition of revenue

Income encompasses both revenue and capital gains/(losses). Revenue generally includes items such as dividends, interest and other similar items that were previously referred to as 'income'. Capital is the return from holding investments other than part of the return that is revenue.

All dividends and scrip (stock) dividends on equities are recognised when the securities are quoted ex-dividend net of any attributable tax credits. Bank interest, interest on investments and other receivables are accrued up to the accounting date.

Accumulation of revenue relating to accumulation units or shares held in collective investment schemes is recognised as revenue and included in the amount available for distribution. Equalisation received from distributions or accumulations on units or shares in collective investment schemes is treated as capital and deducted from the cost of the investment.

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

1. Accounting policies (continued)

Revenue from debt securities is accounted for on an effective interest basis.

Underwriting commission is taken to revenue and recognised when the issue takes place, unless the Funds are required to take up all or some of the underwritten shares. In this case the commission is used to reduce the cost of those shares.

Special dividends are treated as revenue or capital depending on the facts of each particular case.

Stocklending revenue is accounted for on an accruals basis. Fees earned from stock lending are included in revenue on a net basis.

Where the motives and circumstances of derivatives use result in protection or enhancement of revenue, any gains or losses will be taken to revenue. Where the motives and circumstances of derivatives use result in protection or enhancement of capital, any gains or losses will be taken to capital.

Where derivatives are used to protect or enhance revenue, any gains or losses are treated as revenue of the Fund. Where derivatives are used to protect or enhance capital, depending on the motives and circumstances, any gains or losses are treated as capital property of the Funds.

e) Expenses

Expenses are accounted for on an accruals basis.

f) Taxation

Provision is made for corporation tax at current rates on the excess of taxable revenue over allowable expenses. Stamp duty reserve tax (SDRT) suffered on the surrender and reissue of shares has been charged against the net assets of the Fund through the Statement of Change in Net Assets Attributable to Shareholders.

g) Deferred taxation

Where applicable, a provision is made on all material timing differences between the recognition of revenue in the financial statements and its recognition in the Funds' annual tax returns. Deferred tax liabilities are recognised to the extent that it is possible that an actual liability will crystallise and deferred tax assets are recognised where it is more than likely that an asset is recoverable.

No deferred tax assets have been recognised as there is uncertainty over future net revenues to utilise such assets.

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

2. Distribution policies

a) Basis of distribution

If at the end of the distribution period, revenue exceeds expenses borne by revenue for distribution purposes, the net revenue after taxation of that Fund is available to be distributed to its shareholders. In order to conduct a controlled dividend flow to shareholders, interim distributions will be at the ACD's discretion, up to a maximum of the distributable revenue available for the period. At the end of the year, all remaining net revenue is distributed.

The Monthly High Income Fund will distribute revenue on a monthly basis. The ACD may even out the revenue within an accounting period by carrying forward revenue otherwise distributable with a view to augmenting amounts to be paid out at a later date within the same accounting period.

Distributions are paid annually by reference to net revenue arising during the year ended 31 December 2012.

Any deficit of revenue after taxation will reduce the capital of the Fund.

Distributions on accumulation shares are retained by the Fund and increase the value of the accumulation shares.

b) Apportionment to multiple share classes

The allocation of revenue and non class specific expenses is based upon the proportion of the Funds' assets attributable to each share class, on the day the revenue is earned or expense is suffered.

c) Stock dividends

Ordinary scrip dividends are treated as revenue and will form part of any distribution. A transfer is made from capital to revenue to compensate for the amount of revenue foregone. In the case of enhanced scrip dividends, any enhancement is taken to capital.

d) Interest from debt securities

As noted in note 1d above, revenue from fixed interest securities is accounted for on an effective interest basis, where applicable, UK interest distributions are also based on an effective interest basis.

e) Expenses

Management expenses including the General Administration Charge (GAC) and custody fee are charged against revenue unless otherwise stated in the Prospectus. The only exception is the Monthly High Income Fund, where expenses are borne by capital for distribution.

f) Equalisation

Equalisation takes account of the distributable revenue in the share price that is received on the creation of shares and paid on cancellation of shares and is allocated to the distribution account to equalise the distribution payable to Shareholders.

g) Aggregate distribution

The aggregate distribution for the company is based on the individual funds' net revenue after taxation. Where there is a significant difference between net revenue after taxation and the amounts available for distribution, a reciliation has been provided.

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

3. Risk management policies

Any investment in stock market funds involves risk. Some of these risks are general, which means that they apply to all funds. Others are specific, which means that they apply to individual funds only.

We monitor our Funds' portfolios against certain parameters, seeking to ensure that they meet an acceptable risk: reward profile.

Risk management process

The stock selection and asset allocation of the portfolios are reviewed at periodic fund review meetings. Consideration is given to whether the risk associated with the exposure to particular investment categories or stocks is prudent in the context of the investment objective. The Investment Manager has responsibility for monitoring the existing portfolios in accordance with an overall investment category deviation parameter and seeks to ensure that the portfolios as a whole meet an acceptable risk: reward profile. Monthly market risk reviews are conducted on core funds, investigating levels and trends in risk exposures and the overall diversity of risk contributors. For certain forms of derivative intensive funds, daily predicted Value at Risk levels are also monitored.

Listed below are the specific risks applicable to the Funds. Investors should refer to Clause 5, Appendix 1 (for specific risks) and Appendix VII of the prospectus for a detailed explanation of each of the risks highlighted below.

American Fund

Loss
Market Action
Past Performance
Hedged Share Classes

Asia ex Japan Fund

Loss
Market Action
Past Performance
Political
Exchange Rates
Emerging Markets

European Fund*

*The European Fund will merge into the Global Franchise Fund (a sub-fund of Investec Funds Series iv) on 4 January 2013 and will no longer be available for investment from that time.

Global Energy Fund

Loss
Market Action
Past Performance
Cancellation
Sector
Smaller Companies

Global Free Enterprise Fund

Loss
Market Action
Past Performance
Emerging Markets

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

3. Risk management policies (continued)

Monthly High Income Fund

Loss
Market Action
Yield
Income Priority
High Yield Bonds
Past Performance
Credit

Cancellation risk

If you exercise any cancellation rights you may have, you may not get back the full amount of your investment.

Credit

Where the value of an investment depends on a party (which could be a company, government or other institution) fulfilling an obligation to pay, there exists a risk that that obligation will not be satisfied. This risk is greater where the financial strength of the party is weaker. The Net Asset Value of a Fund could be affected by any actual or feared breach of the party's obligations, while the income of the Fund would be affected only by an actual failure to pay, which is known as a default.

Derivatives

Derivatives may be used for the purposes of Efficient Portfolio Management and/or meeting the investment objectives of the Fund. It is not intended that the use of derivatives in this way will cause the NAV of the Fund to have high volatility or otherwise cause its existing risk profile to rise.

Emerging markets

Emerging Markets investments may be more volatile and less liquid than investments in developed markets and the investments of the Sub-Funds in such markets may be considered speculative and subject to significant delays in settlement. In addition, there may be a higher than usual risk of exchange rate, political, economic, social and religious instability and of adverse changes in government regulations. Some of these markets may not be subject to accounting, auditing and financial reporting standards and practices comparable to those of more developed countries and the securities markets of such markets may be subject to unexpected closure. In addition, there may be less government supervision, legal regulation and less well defined tax laws and procedures than in countries with more developed securities markets.

Exchange rates

If a Fund is invested in overseas markets or holds currencies other than sterling, then currency exchange rate movements may cause the value of your investment to fall as well as rise. Even UK centric Funds may have the ability to invest overseas or in UK companies which invest or carry out a significant proportion of their business overseas.

Hedged share classes

The Investment Manager will implement a hedging strategy to limit exposure to the currency position of the Fund's base currency to the currency or currencies in which the assets of the Fund are denominated. However, there can be no assurance that the strategy chosen by the Investment Manager will be successful.

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

3. Risk management policies (continued)

The hedging transactions will be entered into regardless of whether the base currency is declining or increasing in value relative to the currency or currencies of the assets in the relevant Fund. Consequently, while such hedging will largely protect shareholders in the relevant hedged Share Class ("HSC") against a decrease in the value of the base currency relative to the currency or currencies in which the assets of the Fund are denominated, it will also mean that shareholders of the HSC will not benefit from an increase in the value of the base currency relative to the currency or currencies in which the assets of the Fund are denominated.

Due to the impossibility of forecasting future market values the currency hedging will not be perfect.

Shareholders should also note that liabilities arising from one Share Class in a Fund may affect the net asset value of the other Share Classes in that Fund.

High yield bonds

High yield bonds pose a greater risk of capital loss through default.

Income priority

Where the investment objective of a Fund is to treat the generation of income as a higher priority than capital growth, or the generation of income and capital growth have equal priority, all or part of the ACD's fee and all other expenses may be charged against capital in the first instance. Expenses charged to the capital account of a Fund have the effect of increasing the Fund's distributions (which may be taxable) whilst reducing its capital to an equivalent extent. This could constrain future capital and income growth.

Loss

The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Shares of a Fund.

Market action

Losses may be made due to adverse movements in equity, bond, commodity, currency and other market prices, and to changes in the volatility of any of these. The key factors driving changes in these market prices are economic growth and inflation, both of which themselves depend to a greater or lesser extent on official economic and interest rate policy.

Past performance

The past performance of a Fund should not be taken as a guide to its future performance. A Fund that has performed well in the past may perform poorly in the future and a Fund that has performed poorly in the past may perform well in the future.

Political

Expropriation by the state, social or political instability, or other restrictions on the freedom of the fund to deal in its investments, may all lead to investment losses.

Sector risk

Funds that restrict investment to a small number of related sectors may decline even while broader based equity market indices are rising.

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

3. Risk management policies (continued)**Smaller company**

Smaller company shares may be less liquid and more volatile than the shares of larger companies, due to the smaller number of shares in issue and the frequently less diversified and less established nature of the business. These factors can create a greater potential for significant capital losses.

Yield

The level of any yield for a Fund may be subject to fluctuations and is not guaranteed.

Sensitivity analysis

The table below shows the fund's beta; this is a historical measure of the funds' sensitivity to movements in well known markets. A beta of 1.0 would suggest that a fund had experienced a close relationship to the volatility of the market index against which it was being measured, rising when the market rises and falling when it falls in a one to one manner. A beta of 1.5 would suggest that a fund had experienced movements of 1.5 times the index i.e. the fund was more volatile than the market. A beta of 0.5 would suggest that a fund had experienced movements in values of half of the index's movement i.e. the fund was less volatile than the market. Broadly speaking, if a fund has a beta of 'B' to an index, it means that if the index value changes by 'X%' we could expect the fund value to change by 'B' multiplied by 'X%'. Of course, this is only an expectation, but it is a good indicator of the risk currently faced by particular funds.

			Merrill Lynch European Currency Non-F High Yield Constrained GBP hedged* (from 01.06.2012)
2012	FTSE All-Share Index*	MSCI World Index*	
American Fund	1.04	1.29	1.17
Asia ex Japan Fund	0.94	1.04	0.98
Global Energy Fund	1.21	1.35	1.37
Global Free Enterprise Fund	1.08	1.26	1.08
Monthly High Income Fund	0.56	0.53	0.86

* Source: Lipper 31.12.09 – 31.12.12 using monthly sub-periods for class 'A' accumulation shares.

† 'A' income shares

The European Fund merged into the Global Franchise Fund on 4 January 2013 hence the sensitivity analysis for this Fund is not included.

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

3. Risk management policies (continued)

	FTSE	MSCI	Merrill Lynch European Currency High Yield Constrained GBP hedged*
2011	All-Share Index*	World Index*	
American Fund	0.99	1.00	0.78
Asia ex Japan Fund	0.94	0.91	0.76
European Fund	1.26	1.18	0.89
Global Energy Fund	1.00	0.88	0.92
Global Free Enterprise Fund	1.01	1.00	0.66
Monthly High Income Fund†	0.46	0.30	0.70

* Source: Lipper 31.12.08 – 31.12.11 using monthly sub-periods for class 'A' accumulation shares.

† 'A' income shares

Past performance is not a guide to future performance.

4. Net capital gains/(losses)

The net capital gains/(losses) during the year comprise:

	31.12.12 £'000	31.12.11 £'000
Non-derivative securities	90,860	(267,165)
Derivative contracts	(3,379)	1,682
Forward currency contracts	(2,911)	2,661
Gains/(losses) on foreign exchange	7,315	(453)
Transaction charges	(208)	(199)
Net capital gains/(losses)	91,677	(263,474)

5. Purchases, sales and transaction costs

	31.12.12 £'000	31.12.11 £'000
Purchases excluding transaction costs	962,697	1,365,293
Commissions	573	1,125
Taxes	232	401
Total purchase transaction costs*	805	1,526
Purchases including transaction costs	963,502	1,366,819
Sales excluding transaction costs	1,522,224	1,630,182
Commissions	(1,054)	(1,218)
Taxes	(508)	(515)
Total sales transaction costs*	(1,562)	(1,733)
Sales net of transaction costs	1,520,662	1,628,449
Transaction handling charges*	208	199

* These amounts have been deducted in determining net capital gains/(losses).

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

6. Revenue

	31.12.12	31.12.11
	£'000	£'000
UK dividends	822	1,651
Overseas dividends	25,001	29,950
Interest on debt securities	14,353	15,658
Bank interest	80	441
Stock lending income*	325	162
Total revenue	40,581	47,862

* The Fund enters into stock lending arrangements with various counterparties. As at 31 December 2012 the total value of securities on loan was £37,476,000 (31.12.11: £129,452,000). The value of collateral held in respect of securities on loan was £38,143,000 (31.12.11: £133,231,000) AAA rated G-10 sovereign debt apart from Belgium and United States of America which are AA+ rated.

7. Expenses

	31.12.12	31.12.11
	£'000	£'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	16,113	22,622
General administration charge (GAC)	1,244	1,690
	17,357	24,312
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	416	556
	416	556
Other expenses:		
VAT refund	(57)	(35)
	(57)	(35)
Total expenses	17,716	24,833

Please refer to the Prospectus for a full description of expenses covered by the GAC. Which includes the total audit fees of £44,000 (31.12.11: £49,000).

VAT is currently recovered in respect of expenses paid under the GAC.

8. Taxation**a) Analysis of the tax charge for the year:**

	31.12.12	31.12.11
	£'000	£'000
Overseas tax	2,961	3,412
Current tax charge (note 8(b))	2,961	3,412
Total tax charge	2,961	3,412

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

8. Taxation (continued)**b) Factors affecting current tax charge for the year:**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%) (31.12.11: 20%). The differences are explained below:

	31.12.12 £'000	31.12.11 £'000
Net revenue before taxation	22,855	23,011
Corporation tax of 20%	4,571	4,602
Effects of:		
Revenue not subject to taxation	(5,055)	(6,281)
Overseas tax expensed	(18)	(3)
Movement in excess management expenses	3,393	4,769
Tax deductible interest distributions	(2,891)	(3,087)
Overseas tax	2,961	3,412
Current tax charge (note 8(a))	2,961	3,412

Authorised OEICs are exempt from tax on capital gains. Therefore any capital return is not included in the above reconciliation.

9. Finance costs**Distributions and Interest**

The distributions take account of equalisation received on the creation of shares; and deducted on cancellation of shares, and comprise:

	31.12.12 £'000	31.12.11 £'000
January	905	901
February	916	910
March	910	930
April	899	913
May	916	924
June	915	947
July	916	954
August	913	906
September	914	890
October	905	905
November	898	892
Final	8,423	11,033
Income tax deducted at source	2,603	2,767
	21,033	23,872
Add: Equalisation deducted on cancellation of shares	2,334	2,613
Less: Equalisation received on creation of shares	(272)	(1,274)
Finance costs: Distribution	23,095	25,211
Finance cost: Interest	10	18
Total finance costs	23,105	25,229

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

9. Finance costs (continued)**The distribution for the year is represented by:**

	31.12.12	31.12.11
	£'000	£'000
Net revenue after taxation	19,894	19,599
Amounts charged to capital:		
ACD fee	2,213	2,257
General administration charge (GAC)	179	182
Safe custody fee	31	24
Equalisation on conversion of shares	7	-
Shortfall of revenue transferred from capital	771	3,149
Finance costs: Distribution	23,095	25,211

10. Debtors

	31.12.12	31.12.11
	£'000	£'000
Amounts receivable for creation of shares	23,021	2,040
Sales awaiting settlement	2	4,670
Accrued bond interest	3,631	3,662
Accrued dividends and bank interest	328	931
Brokers costs reimbursement	13	-
Overseas tax recoverable	351	358
	27,346	11,661

11. Cash and bank balances

	31.12.12	31.12.11
	£'000	£'000
Amounts held at futures clearing houses and brokers	270	270
Cash and bank balances	193,016	153,723
Total cash and bank balances	193,286	153,993

12. Creditors

	31.12.12	31.12.11
	£'000	£'000
Amounts payable for cancellation of shares	1,824	2,198
Purchases awaiting settlement	-	3,814
Accrued ACD fee	1,028	1,533
Accrued general administration charge	84	116
Accrued safe custody fee	83	79
Accrued transaction charges	57	37
Accrued dilution levy	2	-
Income tax payable on interest distributions	981	1,110
Unrealised currency hedge	-	218
	4,059	9,105

13. Capital commitments and contingent liabilities

Contingent liabilities and capital commitments are disclosed in the notes in the individual Funds' reports.

Notes to the aggregated financial statements (continued)

For the year ended 31 December 2012

14. Related party transactions

Investec Fund Managers Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on cancellation of shares are disclosed in the Statement of Change in Shareholders' Net Assets. In addition it charges fees to the Funds as disclosed in note 7 and 16.

In accordance with the prospectus the ACD collects from the Fund, a general administration charge (GAC), ACD fees and safe custody fees. Please refer to notes 7, 12 and 16 for further details.

Any amounts due from or to Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 10 and 12.

Related party holdings are disclosed in the portfolio statements of the relevant Funds.

15. Dilution adjustment

A dilution adjustment may be applied at the ACD's discretion to all purchases, sales and switches of shares where the impact of the net deals is believed to have a material dilution effect.

A dilution adjustment or levy is a method to ensure fair treatment between investors joining, leaving or remaining in a Fund. We reserve the right to levy a dilution adjustment on any or all deals. The price of the shares of a Fund may be adjusted to protect its value from being reduced in the case of larger scale movements into or out of the Fund.

Full details on the ACD policy for dilution adjustment can be found in the Prospectus.

16. ACD fees and charges

The different level of ACD fees payable as at 31 December 2012 by each Fund's different share classes are shown in the individual Funds' reports.

In accordance with the prospectus the ACD collects from the scheme property, a general administration charge (GAC).

The GAC is calculated as a percentage of the scheme's property.

The GAC is charged at 0.09% of the Net Asset Value of each share class.

All shares within the sub-fund have the same rights on winding up.

17. Post balance sheet events

Post balance sheet events are disclosed in the notes appending the individual Funds' reports.

American Fund**Statement of Total Return**

For the year ended 31 December 2012

		31.12.12		31.12.11	
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		5,911		(103,327)
Revenue	6	5,969		8,424	
Expenses	7	(5,674)		(10,198)	
Finance costs: Interest	9	(1)		(2)	
Net revenue/(expense) before taxation		294		(1,776)	
Taxation	8	(875)		(1,180)	
Net expense after taxation			(581)		(2,956)
Total return before distributions			5,330		(106,283)
Finance costs: Distributions	9		(190)		(193)
Change in net assets attributable to shareholders from investment activities			5,140		(106,476)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2012

	31.12.12		31.12.11	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		518,766		777,613
Amounts receivable on issue of shares	96,202		266,727	
Amounts payable on cancellation of shares	(411,023)		(419,291)	
		(314,821)		(152,564)
Dilution adjustment		309		-
Change in net assets attributable to shareholders from investment activities		5,140		(106,476)
Retained distribution on accumulation shares		141		193
Closing net assets attributable to shareholders		209,535		518,766

Notes to the financial statements are on pages 63 to 68.

American Fund**Balance Sheet**

As at 31 December 2012

	Note	31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			192,356		499,533
Debtors	10	333		6,203	
Cash and bank balances	11	35,884		44,597	
Total other assets			36,217		50,800
Total assets			228,573		550,333
LIABILITIES					
Creditors	12	1,081		5,461	
Bank overdrafts		17,957		26,106	
Total liabilities			19,038		31,567
Net assets attributable to shareholders			209,535		518,766

Notes to the financial statements are on pages 63 to 68.

American Fund

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 49-50.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the aggregated financial statements on page 51.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 52-55.

4. Net capital gains/(losses)

The net capital gains/(losses) during the year comprise:

	31.12.12 £'000	31.12.11 £'000
Non-derivative securities	6,459	(103,347)
Forward currency contracts	83	(325)
(Losses)/gains on foreign exchange	(599)	365
Transaction charges	(32)	(20)
Net capital gains/(losses)	5,911	(103,327)

5. Purchases, sales and transaction costs

	31.12.12 £'000	31.12.11 £'000
Purchases excluding transaction costs	401,858	481,454
Commissions	140	442
Total purchase transaction costs*	140	442
Purchases including transaction costs	401,998	481,896
Sales excluding transaction costs	716,071	645,445
Commissions	(465)	(445)
Taxes	(16)	(12)
Total sales transaction costs*	(481)	(457)
Sales net of transaction costs	715,590	644,988
Transaction handling charges*	32	20

*These amounts have been deducted in determining net capital gains/(losses).

American Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

6. Revenue

	31.12.12 £'000	31.12.11 £'000
Overseas dividends	5,803	7,866
Interest on debt securities	78	448
Stock lending income*	75	74
Bank interest	13	36
Total revenue	5,969	8,424

**The Fund enters into stock lending arrangements with various counterparties. As at 31 December 2012 the total value of securities on loan was £597,000 (31.12.11: £48,403,000). The value of collateral held in respect of securities on loan was £602,000 (31.12.11: £49,833,000) AAA rated G-10 sovereign debt apart from Belgium and United States of America which are AA+ rated.

7. Expenses

	31.12.12 £'000	31.12.11 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	5,277	9,485
General administration charge (GAC)	348	619
	5,625	10,104
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	53	102
	53	102
Other expenses:		
VAT refund	(4)	(8)
	(4)	(8)
Total expenses	5,674	10,198

Please refer to the Prospectus for a full description of expenses covered by the GAC, which includes the audit fee for the year of £7,000 (31.12.11: £7,000).

VAT is currently recovered in respect of certain expenses paid under the GAC.

American Fund**Notes to the financial statements (continued)**

For the year ended 31 December 2012

8. Taxation***a) Analysis of the tax charge for the year:**

	31.12.12 £'000	31.12.11 £'000
Overseas tax	875	1,180
Current tax charge (note 8(b))	875	1,180
Deferred tax charge (note 8c)	-	-
Total tax charge	875	1,180

b) Factors affecting the tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%) (31.12.11: 20%). The differences are explained below:

	31.12.12 £'000	31.12.11 £'000
Net revenue/(expense) before taxation	294	(1,776)
Corporation tax of 20%	59	(355)

Effects of:

Revenue not subject to taxation	(1,160)	(1,572)
Movement in excess management expenses	1,101	1,927
Overseas tax	875	1,180
Total current tax (note 8(a))	875	1,180

c) Factors affecting future tax charge:

The Fund has surplus management expenses that have resulted in an unrecognised deferred tax asset of £4,764,000 (31.12.11: £3,663,000). This asset has not been recognised in the financial statements due to the inherent uncertainty of the Fund to generate sufficient taxable net revenues.

American Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

9. Finance costs

Distributions and Interest

The distributions take account of equalisation received on the creation of shares and deducted on cancellation of shares, and comprise:

	31.12.12 £'000	31.12.11 £'000
Final	141	193
	141	193
Add: Equalisation deducted on cancellation of shares	55	7
Less: Equalisation received on creation of shares	(6)	(7)
Finance costs: Distributions	190	193
Finance Costs: Interest	1	2
Total finance costs	191	195

The net distribution for the year is represented by:

	31.12.12 £'000	31.12.11 £'000
Net expense after taxation	(581)	(2,956)
Shortfall of income transferred to capital	771	3,149
Finance costs: Distributions	190	193

10. Debtors

	31.12.12 £'000	31.12.11 £'000
Amounts receivable for creation of shares	20	995
Sales awaiting settlement	2	4,505
Accrued dividends and bank interest	192	548
Accrued bond interest	-	33
Overseas tax recoverable	119	122
	333	6,203

11. Cash and bank balances

	31.12.12 £'000	31.12.11 £'000
Cash and bank balances	35,884	44,597
	35,884	44,597

American Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

12. Creditors

	31.12.12 £'000	31.12.11 £'000
Amount payable for cancellation of shares	776	1,210
Purchases awaiting settlement	-	3,396
Accrued ACD fee	264	581
Accrued general administration charge	17	39
Accrued safe custody fee	8	14
Accrued transaction charges	14	3
Accrued dilution levy	2	-
Unrealised currency hedge	-	218
	1,081	5,461

13. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date. (31.12.11: Nil).

14. Related party transactions

Investec Fund Managers Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on cancellation are disclosed in the Statement of Change in Shareholders' Net Assets.

In accordance with the prospectus the ACD collects from the Fund, a general administration charge (GAC), ACD fees and safe custody fees. Please refer to notes 7, 12 and 16 for further details.

Any amounts due to/from Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 10 and 12.

15. Dilution adjustment

Please refer to note 15 of the aggregated financial statements for a detailed description of dilution adjustment.

American Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

16. ACD Fees

The different level of ACD fees payable per annum as at 31 December 2012 for each share class is detailed below:

A Shares	1.50%
B Shares	1.25%
I Shares	0.75%
S Shares	0.00%

The GAC is charged at 0.09% per annum of the Net Asset Value of each share class.

All shares within the sub-fund have the same rights on winding up.

17. Risk considerations

Please refer to note 3 of the aggregated financial statements for a detailed description of the risk considerations. There are no further specific risks for this Fund.

The Fund's currency exposure as at 31 December 2012 was:

Currency	Monetary exposures	Net currency assets Non monetary exposures	Total
	31.12.12 £'000	31.12.12 £'000	31.12.12 £'000
Sterling	(1,057)	-	(1,057)
US Dollar	18,236	192,356	210,592
Total	17,179	192,356	209,535

The Fund's currency exposure as at 31 December 2011 was:

Currency	Monetary exposures	Net currency assets Non monetary exposures	Total
	31.12.11 £'000	31.12.11 £'000	31.12.11 £'000
Sterling	(138)	-	(138)
US Dollar	21,853	497,051	518,904
Total	21,715	497,051	518,766

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Fund's exposure to interest rate risk is considered insignificant.

American Fund

Distribution Table

For the year ended 31 December 2012

Final distribution payable 28 February 2013

Group 1 – shares purchased before 1 January 2012

Group 2 – shares purchased between 1 January 2012 and 31 December 2012

	Net income pence	Equalisation pence	Distribution payable 28-Feb-13 pence	Distribution paid 28-Feb-12 pence
Share Class A – Accumulation				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
Share Class A – Accumulation (GBP Hedge)				
Group 1	0.0000	-	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
Share Class B – Accumulation				
Group 1	0.3207	-	0.3207	0.0000
Group 2	0.3207	0.0000	0.3207	0.0000
Share Class I – Accumulation				
Group 1	0.7081	-	0.7081	0.1526
Group 2	0.6611	0.0470	0.7081	0.1526
Share Class S – Accumulation				
Group 1	1.7180	-	1.7180	1.1534
Group 2	1.5007	0.2173	1.7180	1.1534
	Net income US cent	Equalisation US cent	Distribution payable 28-Feb-13 US cent	Distribution paid 28-Feb-12 US cent
Share Class A 'USD' – Accumulation*				
Group 1	0.0000	-	0.0000	n/a
Group 2	0.0000	0.0000	0.0000	n/a

*Launched 8 May 2012

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Asia ex Japan Fund

Statement of Total Return

For the year ended 31 December 2012

	Note	31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		21,228		(54,202)
Revenue	6	6,342		8,046	
Expenses	7	(3,436)		(4,364)	
Finance costs: Interest	9	(6)		(11)	
Net revenue before taxation		2,900		3,671	
Taxation	8	(559)		(820)	
Net revenue after taxation			2,341		2,851
Total return before distributions			23,569		(51,351)
Finance costs: Distributions	9		(2,341)		(2,851)
Change in net assets attributable to shareholders from investment activities			21,228		(54,202)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2012

		31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			222,879		296,364
Amounts receivable on issue of shares		66,604		124,010	
Amounts payable on cancellation of shares		(196,621)		(145,524)	
			(130,017)		(21,514)
Dilution adjustment			293		-
Change in net assets attributable to shareholders from investment activities			21,228		(54,202)
Retained distribution on accumulation shares			858		2,231
Closing net assets attributable to shareholders			115,241		222,879

Notes to the financial statements are on pages 72 to 77.

Asia ex Japan Fund

Balance Sheet

As at 31 December 2012

	Note	31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			113,563		215,943
Debtors	10	144		244	
Cash and bank balances	11	24,034		19,678	
Total other assets			24,178		19,922
Total assets			137,741		235,865
LIABILITIES					
Creditors	12	266		354	
Bank overdrafts		22,234		12,632	
Total liabilities			22,500		12,986
Net assets attributable to shareholders			115,241		222,879

Notes to the financial statements are on pages 72 to 77.

Asia ex Japan Fund

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 49-50.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the aggregated financial statements on page 51.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 52-55.

4. Net capital gains/(losses)

The net capital gains/(losses) during the year comprise:

	31.12.12 £'000	31.12.11 £'000
Non-derivative securities	21,359	(53,734)
Losses on foreign exchange	(16)	(367)
Transaction charges	(115)	(101)
Net capital gains/(losses)	21,228	(54,202)

5. Purchases, sales and transaction costs

	31.12.12 £'000	31.12.11 £'000
Purchases excluding transaction costs	142,007	210,386
Commissions	119	192
Taxes	93	113
Total purchase transaction costs*	212	305
Purchases including transaction costs	142,219	210,691
Sales excluding transaction costs	266,582	234,260
Commissions	(175)	(212)
Taxes	(449)	(412)
Total sales transaction costs*	(624)	(624)
Sales net of transaction costs	265,958	233,636
Transaction handling charges*	115	101

*These amounts have been deducted in determining net capital gains/(losses).

Asia ex Japan Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

6. Revenue

	31.12.12 £'000	31.12.11 £'000
UK dividends	13	-
Overseas dividends	6,303	8,016
Stock lending income*	17	13
Bank interest	9	17
Total revenue	6,342	8,046

*The Fund enters into stock lending arrangements with various counterparties. As at 31 December 2012 the total value of securities on loan was £Nil (31.12.11: £6,108,000). The value of collateral held in respect of securities on loan was £Nil (31.12.11: £6,419,000) AAA rated G-10 sovereign debt apart from Belgium and United States of America which are AA+ rated.

7. Expenses

	31.12.12 £'000	31.12.11 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	3,058	3,887
General administration charge (GAC)	186	245
	3,244	4,132
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	201	242
	201	242
Other expenses:		
VAT refund	(9)	(10)
	(9)	(10)
Total expenses	3,436	4,364

Please refer to the Prospectus for a full description of expenses covered by the GAC, which includes the audit fee for the year of £7,000 (31.12.11: £7,000).

VAT is currently recovered in respect of certain expenses paid under the GAC.

Asia ex Japan Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

8. Taxation

a) Analysis of the tax charge for the year:

	31.12.12 £'000	31.12.11 £'000
Overseas tax	559	820
Current tax charge (note 8(b))	559	820
Deferred tax charge (note 8c)	-	-
Total tax charge	559	820

b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%) (31.12.11: 20%). The differences are explained below:

	31.12.12 £'000	31.12.11 £'000
Net revenue before taxation	2,900	3,671
Corporation tax of 20%	580	734

Effects of:

Revenue not subject to taxation	(1,263)	(1,603)
Movement in excess management expenses	683	869
Overseas tax	559	820
Total current tax (note 8(a))	559	820

c) Factors affecting future tax charge:

The Fund has surplus management expenses that has resulted in an unrecognised deferred tax asset of £2,480,000 (31.12.11: £1,797,000). This asset has not been recognised in the financial statements due to the inherent uncertainty of the Fund to generate sufficient taxable net revenues.

Asia ex Japan Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

9. Finance costs

Distributions and Interest

The distributions take account of equalisation received on the creation of shares and deducted on cancellation of shares, and comprise:

	31.12.12 £'000	31.12.11 £'000
Final	858	2,231
	858	2,231
Add: Equalisation deducted on cancellation of shares	1,534	1,408
Less: Equalisation received on creation of shares	(51)	(788)
Finance costs: Distributions	2,341	2,851
Finance costs: Interest	6	11
Total finance costs	2,347	2,862

The net distribution for the year is represented by:

	31.12.12 £'000	31.12.11 £'000
Net revenue after taxation	2,341	2,851
Finance costs: Distributions	2,341	2,851

10. Debtors

	31.12.12 £'000	31.12.11 £'000
Amounts receivable for creation of shares	120	122
Sales awaiting settlement	-	88
Accrued dividends and bank interest	24	34
	144	244

11. Cash and bank balances

	31.12.12 £'000	31.12.11 £'000
Cash and bank balances	24,034	19,678
	24,034	19,678

12. Creditors

	31.12.12 £'000	31.12.11 £'000
Amount payable for cancellation of shares	52	3
Accrued ACD fee	148	278
Accrued general administration charge	9	17
Accrued safe custody fee	34	34
Accrued transaction charges	23	22
	266	354

Asia ex Japan Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

13. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date. (31.12.11: Nil).

14. Related party transactions

Investec Fund Managers Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on cancellation are disclosed in the Statement of Change in Shareholders' Net Assets.

In accordance with the prospectus the ACD collects from the Fund, a general administration charge (GAC), ACD fees and safe custody fees. Please refer to notes 7, 12 and 16 for further details.

Any amounts due to/from Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 10 and 12.

At the year end date 0.31% of the Fund's shares (by net asset value) were held by other Funds managed by the ACD (31.12.11: 0.16%).

15. Dilution adjustment

Please refer to note 15 of the aggregated financial statements for a detailed description of dilution adjustment.

16. ACD Fees

The different level of ACD fees payable per annum as at 31 December 2012 for each share class is detailed below:

A Shares	1.50%
B Shares	1.25%
I Shares	0.75%
S Shares	0.00%

The GAC is charged at 0.09% per annum of the Net Asset Value of each share class.

All shares within the sub-fund have the same rights on winding up.

17. Contingent liability

The fund has entered into legal proceedings with the Indian Tax Authorities in respect of two cases. The first case being Capital Gains Taxes charged on incorrect trades provided by the stock exchange to the Indian Tax Authorities which has resulted in the overstatement of the fund's Capital Gains Tax liability. The additional tax disputed is USD 8,988,353. Interest may also be payable in the event that the Fund is not successful in its legal proceedings. The second case relates to the incorrect assessment of Capital Losses as short-term Capital Gains by the Indian Tax Authorities, which will result in losses not being carried forward to off-set future Capital Gains. The amount of Capital Losses being disputed is USD 7,848,095 which would be available to offset future taxes to the value of 40% of those losses; USD 3,139,238. The Directors of the fund are confident in the success of both cases and has therefore not made any provision within the financial statements.

Asia ex Japan Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

17. Risk considerations

Please refer to note 3 of the aggregated financial statements for a detailed description of the risk considerations. There are no further specific risks for this Fund.

The Fund's currency exposure as at 31 December 2012 was:

Currency	Monetary exposures 31.12.12 £'000	Net currency assets Non monetary exposures 31.12.12 £'000	Total 31.12.12 £'000
Australian Dollar	4	-	4
Hong Kong Dollar	-	51,397	51,397
Indian Rupee	21	641	662
Indonesian Rupiah	-	12,129	12,129
Malaysian Ringgit	-	4,108	4,108
Philippine Peso	3	1,592	1,595
Singapore Dollar	64	2,492	2,556
South Korean Won	-	22,838	22,838
Sterling	1,358	978	2,336
Taiwan Dollar	223	11,760	11,983
Thai Baht	-	3,315	3,315
US Dollar	5	2,313	2,318
Total	1,678	113,563	115,241

The Fund's currency exposure as at 31 December 2011 was:

Currency	Monetary exposures 31.12.11 £'000	Net currency assets Non monetary exposures 31.12.11 £'000	Total 31.12.11 £'000
Australian Dollar	4	-	4
Euro	1	-	1
Hong Kong Dollar	171	90,678	90,849
Indian Rupee	-	7,323	7,323
Indonesian Rupiah	-	4,985	4,985
Malaysian Ringgit	1,176	7,827	9,003
Philippine Peso	-	4,099	4,099
Singapore Dollar	-	4,852	4,852
South African Rand	88	53,225	53,313
Sterling	5,135	-	5,135
Taiwan Dollar	350	21,565	21,915
Thai Baht	-	8,722	8,722
US Dollar	10	12,668	12,678
Total	6,935	215,944	222,879

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is not considered to be significant.

Asia ex Japan Fund

Distribution Table

For the year ended 31 December 2012

Final distribution payable 28 February 2013

Group 1 – shares purchased before 1 January 2012

Group 2 – shares purchased between 1 January 2012 and 31 December 2012

	Net income pence	Equalisation pence	Distribution payable 28-Feb-13 pence	Distribution paid 28-Feb-12 pence
Share Class A – Accumulation				
Group 1	2.5287	-	2.5287	2.9090
Group 2	2.1373	0.3914	2.5287	2.9090
Share Class B – Accumulation				
Group 1	33.5247	-	33.5247	37.4918
Group 2	28.5966	4.9281	33.5247	37.4918
Share Class I – Accumulation				
Group 1	2.3719	-	2.3719	2.4467
Group 2	0.7579	1.6140	2.3719	2.4467
Share Class S – Accumulation				
Group 1	7.2475	-	7.2475	7.7043
Group 2	6.1068	1.1407	7.2475	7.7043

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

European Fund

Statement of Total Return

For the year ended 31 December 2012

		31.12.12		31.12.11	
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		5,528		(6,210)
Revenue	6	908		1,110	
Expenses	7	(430)		(508)	
Net revenue before taxation		478		602	
Taxation	8	(145)		(24)	
Net revenue after taxation			333		578
Total return before distributions			5,861		(5,632)
Finance costs: Distributions	9		(333)		(578)
Change in net assets attributable to shareholders from investment activities			5,528		(6,210)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2012

	31.12.12		31.12.11	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		25,909		36,069
Amounts receivable on issue of shares	339		370	
Amounts payable on cancellation of shares	(4,485)		(4,843)	
		(4,146)		(4,473)
Dilution adjustment		37		-
Change in net assets attributable to shareholders from investment activities		5,528		(6,210)
Retained distribution on accumulation shares		291		523
Closing net assets attributable to shareholders		27,619		25,909

Notes to the financial statements are on pages 81 to 86.

European Fund

Balance Sheet

As at 31 December 2012

	Note	31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			-		25,655
Debtors	10	22,936		118	
Cash and bank balances	11	7,393		2,332	
Total other assets			30,329		2,450
Total assets			30,329		28,105
LIABILITIES					
Creditors	12	128		92	
Bank overdrafts		2,582		2,104	
Total liabilities			2,710		2,196
Net assets attributable to shareholders			27,619		25,909

Notes to the financial statements are on pages 81 to 86.

European Fund

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 49-50.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the aggregated financial statements on page 51.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 52-55.

4. Net capital gains/(losses)

The net capital gains/(losses) during the year comprise:

	31.12.12 £'000	31.12.11 £'000
Non-derivative securities	5,597	(6,175)
Losses on foreign exchange	(62)	(27)
Transaction charges	(7)	(8)
Net capital gains/(losses)	5,528	(6,210)

5. Purchases, sales and transaction costs

	31.12.12 £'000	31.12.11 £'000
Purchases excluding transaction costs	12,626	15,306
Commissions	16	15
Taxes	-	2
Total purchase transaction costs*	16	17
Purchases including transaction costs	12,642	15,323
Sales excluding transaction costs	43,926	19,409
Commissions	(36)	-
Taxes	-	(21)
Total sales transaction costs*	(36)	(21)
Sales net of transaction costs	43,890	19,388
Transaction handling charges*	7	8

*These amounts have been deducted in determining net capital gains/(losses).

European Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

6. Revenue

	31.12.12 £'000	31.12.11 £'000
Overseas dividends	893	1,085
Stock lending income*	13	23
Bank interest	2	2
Total revenue	908	1,110

*The Fund enters into stock lending arrangements with various counterparties. As at 31 December 2012 the total value of securities on loan was £759,000 (31.12.11: £3,437,000). The value of collateral held in respect of securities on loan was £810,000 (31.12.11: £3,615,000) AAA rated G-10 sovereign debt apart from Belgium and United States of America which are AA+ rated.

7. Expenses

	31.12.12 £'000	31.12.11 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	400	471
General administration charge (GAC)	24	28
	424	499
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	6	9
	6	9
Total expenses	430	508

Please refer to the Prospectus for a full description of expenses covered by the GAC which includes the audit fee for the year of £7,000 (31.12.11: £7,000).

VAT is currently recovered in respect of certain expenses paid under the GAC.

European Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

8. Taxation

a) Analysis of the tax charge for the year:

	31.12.12 £'000	31.12.11 £'000
Overseas tax	145	24
Current tax charge (note 8(b))	145	24
Deferred tax charge (note 8c)	-	-
Total tax charge	145	24

b) Factors affecting the tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%) (31.12.11: 20%). The differences are explained below:

	31.12.12 £'000	31.12.11 £'000
Net revenue before taxation	478	602
Corporation tax of 20%	95	120

Effects of:

Revenue not subject to taxation	(177)	(218)
Movement in excess management expenses	82	98
Overseas tax	145	24
Total current tax (note 8(a))	145	24

c) Factors affecting future tax charge:

The Fund has surplus management expenses that has resulted in an unrecognised deferred tax asset of £292,000 (31.12.11: £210,000). This asset has not been recognised in the financial statements due to the inherent uncertainty of the Fund to generate sufficient taxable net revenues.

European Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

9. Finance costs

Distributions and Interest

The distributions take account of equalisation received on the creation of shares and deducted on cancellation of shares, and comprise:

	31.12.12 £'000	31.12.11 £'000
Final	291	523
	291	523
Add: Equalisation deducted on cancellation of shares	49	59
Less: Equalisation received on creation of shares	(7)	(4)
Finance costs: Distributions	333	578
Finance costs: Interest	-	-
Total finance costs	333	578

The net distribution for the year is represented by:

	31.12.12 £'000	31.12.11 £'000
Net revenue after taxation	333	578
Finance costs: Distributions	333	578

10. Debtors

	31.12.12 £'000	31.12.11 £'000
Sales awaiting settlement	22,855	-
Accrued dividends and bank interest	1	-
Brokers costs reimbursement	13	-
Overseas tax recoverable	67	118
	22,936	118

11. Cash and bank balances

	31.12.12 £'000	31.12.11 £'000
Cash and bank balances	7,393	2,332
	7,393	2,332

European Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

12. Creditors

	31.12.12 £'000	31.12.11 £'000
Amount payable for cancellation of shares	79	54
Accrued ACD fee	35	33
Accrued general administration charge	2	2
Accrued safe custody fee	1	1
Accrued transaction charges	11	2
	128	92

13. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date. (31.12.11: Nil)

14. Related party transactions

Investec Fund Managers Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on cancellation are disclosed in the Statement of Change in Shareholders' Net Assets.

In accordance with the prospectus the ACD collects from the Fund, a general administration charge (GAC), ACD fees and safe custody fees. Please refer to notes 7, 12 and 16 for further details.

Any amounts due to/from Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 10 and 12.

15. Dilution adjustment

Please refer to note 15 of the aggregated financial statements for a detailed description of dilution adjustment.

16. ACD fees

The different level of ACD fees payable per annum as at 31 December 2012 for each share class is detailed below:

A Shares	1.50%
I Shares	0.75%

The GAC is charged at 0.09% per annum of the Net Asset Value of each share class.

All shares within the sub-fund have the same rights on winding up.

European Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

17. Risk considerations

Please refer to note 3 of the aggregated financial statements for a detailed description of the risk considerations. There are no further specific risks for this Fund.

The Fund's currency exposure as at 31 December 2012 was:

Currency	Monetary exposures 31.12.12 £'000	Net currency assets Non monetary exposures 31.12.12 £'000	Total 31.12.12 £'000
Danish Krone	711	-	711
Euro	17,770	-	17,770
Norwegian Kroner	2,402	-	2,402
Sterling	2,370	-	2,370
Swedish Krona	1,157	-	1,157
Swiss Franc	3,205	-	3,205
US Dollar	4	-	4
Total	27,619	-	27,619

The Fund's currency exposure as at 31 December 2011 was:

Currency	Monetary exposures 31.12.11 £'000	Net currency assets Non monetary exposures 31.12.11 £'000	Total 31.12.11 £'000
Danish Krone	1	738	739
Euro	103	15,983	16,086
Norwegian Kroner	24	1,569	1,593
Sterling	(30)	-	(30)
Swedish Krona	9	3,827	3,836
Swiss Franc	46	3,539	3,585
US Dollar	100	-	100
Total	253	25,656	25,909

The majority of the Fund's financial assets have historically been equity shares and other investments which neither pay interest nor have a maturity date.

Therefore, the fund's exposure to interest rate risk has not in the past been significant.

18. Post balance sheet events

The European Fund merged with Global Franchise Fund on 4 January 2013.

Please refer to page 34 for further details.

European Fund

Distribution Table

For the year ended 31 December 2012

Final distribution payable 28 February 2013

Group 1 – shares purchased on or before 1 January 2012

Group 2 – shares purchased between 1 January 2012 and 31 December 2012

	Net income pence	Equalisation pence	Distribution payable 28-Feb-13 pence	Distribution paid 28-Feb-12 pence
Share Class A – Accumulation				
Group 1	3.4691	-	3.4691	5.3603
Group 2	0.0033	3.4658	3.4691	5.3603
Share Class I – Accumulation				
Group 1	1.9656	-	1.9656	2.4945
Group 2	0.0000	1.9656	1.9656	2.4945

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Global Energy Fund

Statement of Total Return

For the year ended 31 December 2012

		31.12.12		31.12.11	
	Note	£'000	£'000	£'000	£'000
Income					
Net capital losses	4		(6,539)		(42,262)
Revenue	6	4,336		6,823	
Expenses	7	(2,771)		(3,763)	
Finance costs: Interest	9	(2)		-	
Net revenue before taxation		1,563		3,060	
Taxation	8	(456)		(702)	
Net revenue after taxation			1,107		2,358
Total return before distributions			(5,432)		(39,904)
Finance costs: Distributions	9		(1,114)		(2,358)
Change in net assets attributable to shareholders from investment activities			(6,546)		(42,262)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2012

	31.12.12		31.12.11	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		225,015		281,454
Amounts receivable on issue of shares	44,855		77,747	
Amounts payable on cancellation of shares	(95,958)		(93,792)	
		(51,103)		(16,045)
Stamp duty reserve tax		(26)		(52)
Change in net assets attributable to shareholders from investment activities		(6,546)		(42,262)
Retained distribution on accumulation shares		1,010		1,920
Closing net assets attributable to shareholders		168,350		225,015

Notes to the financial statements are on pages 90 to 95.

Global Energy Fund

Balance Sheet

As at 31 December 2012

		31.12.12		31.12.11	
	Note	£'000	£'000	£'000	£'000
ASSETS					
Investment assets			166,232		221,324
Debtors	10	55		755	
Cash and bank balances	11	21,425		14,881	
Total other assets			21,480		15,636
Total assets			187,712		236,960
LIABILITIES					
Creditors	12	740		1,003	
Bank overdrafts		18,622		10,942	
Total liabilities			19,362		11,945
Net assets attributable to shareholders			168,350		225,015

Notes to the financial statements are on pages 90 to 95.

Global Energy Fund

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 49-50.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the aggregated financial statements on page 51.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 52-55.

4. Net capital losses

The net capital losses during the year comprise:

	31.12.12 £'000	31.12.11 £'000
Non-derivative securities	(5,777)	(44,821)
Derivative contracts	(887)	2,891
Gains/(losses) on foreign exchange	151	(307)
Transaction charges	(26)	(25)
Net capital losses	(6,539)	(42,262)

5. Purchases, sales and transaction costs

	31.12.12 £'000	31.12.11 £'000
Purchases excluding transaction costs	180,588	280,384
Commissions	158	261
Taxes	133	175
Total purchase transaction costs*	291	436
Purchases including transaction costs	180,879	280,820
Sales excluding transaction costs	229,203	284,692
Commissions	(220)	(288)
Taxes	(3)	(5)
Total sales transaction costs*	(223)	(293)
Sales net of transaction costs	228,980	284,399
Transaction handling charges*	26	25

*These amounts have been deducted in determining net capital losses.

Global Energy Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

6. Revenue

	31.12.12 £'000	31.12.11 £'000
UK dividends	612	1,053
Overseas dividends	3,677	5,675
Stock lending income*	40	75
Bank interest	7	20
Total revenue	4,336	6,823

*The Fund enters into stock lending arrangements with various counterparties. As at 31 December 2012 the total value of securities on loan was £814,000 (31.12.11: £4,419,000). The value of collateral held in respect of securities on loan was £830,000 (31.12.11: £4,614,000) AAA rated G-10 sovereign debt apart from Belgium and United States of America which are AA+ rated.

7. Expenses

	31.12.12 £'000	31.12.11 £'000
Payable to the ACD, associates of the ACD, and agents of either of them:		
ACD fee	2,557	3,464
General administration charge (GAC)	187	256
	2,744	3,720
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	33	50
	33	50
Other expenses:		
VAT refund	(6)	(7)
	(6)	(7)
Total expenses	2,771	3,763

Please refer to the Prospectus for a full description of expenses covered by the GAC, which includes the audit fee for the year of £7,000 (31.12.11: £7,000).

VAT is currently recovered in respect of certain expenses paid under the GAC.

Global Energy Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

8. Taxation

a) Analysis of charge for the year:

	31.12.12 £'000	31.12.11 £'000
Overseas tax	456	702
Current tax charge (note 8(b))	456	702
Deferred tax charge (note 8c)	-	-
Total tax charge	456	702

b) Factors affecting current tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised OEIC (20%) (31.12.11: 20%). The differences are explained below:

	31.12.12 £'000	31.12.11 £'000
Net revenue before taxation	1,563	3,060
Corporation tax of 20%	313	612

Effects of:

Revenue not subject to taxation	(803)	(1,346)
Movement in excess management expenses	499	734
Overseas tax expensed	(9)	-
Overseas tax	456	702
Total current tax (note 8(a))	456	702

c) Factors affecting future tax charge:

The Fund has surplus management expenses that have resulted in an unrecognised deferred tax asset of £1,731,000 (31.12.11: £1,232,000). This asset has not been recognised in the financial statements due to the inherent uncertainty of the Fund to generate sufficient taxable net revenues.

Global Energy Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

9. Finance costs

Distributions and Interest

The distributions take account of equalisation received on the creation of shares and deducted on cancellation of shares, and comprise:

	31.12.12 £'000	31.12.11 £'000
Final	1,010	1,920
	1,010	1,920
Add: Equalisation deducted on cancellation of shares	171	575
Less: Equalisation received on creation of shares	(67)	(137)
Finance costs: Distributions	1,114	2,358
Finance costs: Interest	2	-
Finance finance cost: Interest	2	-
Total finance costs	1,116	2,358

The net distribution for the year is represented by:

	31.12.12 £'000	31.12.11 £'000
Net revenue after taxation	1,107	2,358
Equalisation on conversion of shares	7	-
Finance costs: Distributions	1,114	2,358

10. Debtors

	31.12.12 £'000	31.12.11 £'000
Amounts receivable for creation of shares	1	592
Sales awaiting settlement	-	77
Accrued dividends and bank interest	22	86
Overseas tax recoverable	32	-
	55	755

11. Cash and bank balances

	31.12.12 £'000	31.12.11 £'000
Cash and bank balances	21,425	14,881
	21,425	14,881

Global Energy Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

12. Creditors

	31.12.12 £'000	31.12.11 £'000
Amount payable for cancellation of shares	541	315
Purchases awaiting settlement	-	418
Accrued ACD fee	174	242
Accrued general administration charge	13	17
Accrued safe custody fee	7	7
Accrued transaction charges	5	4
	740	1,003

13. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date. (31.12.11: Nil).

14. Related party transactions

Investec Fund Managers Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on cancellation are disclosed in the Statement of Change in Shareholders' Net Assets.

In accordance with the prospectus the ACD collects from the Fund, a general administration charge (GAC), ACD fees and safe custody fees. Please refer to notes 7, 12 and 16 for further details.

Any amounts due to/from Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 10 and 12.

At the year end date 0.24% of the Fund's shares (by net asset value) were held by other Funds managed by the ACD (31.12.11: 0.19%).

15. Dilution adjustment

Please refer to note 15 of the aggregated financial statements for a detailed description of dilution adjustment.

16. ACD fees

The different level of ACD fees payable per annum as at 31 December 2012 for each share class is detailed below:

A Shares	1.50%
I Shares	0.75%
S Shares	0.00%

The GAC is charged at 0.09% per annum of the Net Asset Value of each share class.

All shares within the sub-fund have the same rights on winding up.

Global Energy Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

17. Risk considerations

Please refer to note 3 of the aggregated financial statements for a detailed description of the risk considerations. There are no further specific risks for this Fund.

The Fund's currency exposure as at 31 December 2012 was:

Currency	Monetary exposures 31.12.12 £'000	Net currency assets	
		Non monetary exposures 31.12.12 £'000	Total 31.12.12 £'000
Australian Dollar	169	4,159	4,328
Canadian Dollar	45	17,977	18,022
Danish Krone	19	-	19
Euro	4	16,494	16,498
Hong Kong Dollar	38	-	38
Norwegian Krone	1	6,087	6,088
Sterling	(678)	14,453	13,775
US Dollar	2,520	107,062	109,582
Total	2,118	166,232	168,350

The Fund's currency exposure as at 31 December 2011 was:

Currency	Monetary exposures 31.12.11 £'000	Net currency assets	
		Non monetary exposures 31.12.11 £'000	Total 31.12.11 £'000
Canadian Dollar	4	-	4
Euro	311	53,655	53,966
Japanese Yen	2	28,248	28,250
Norwegian Kroner	40	-	40
South African Rand	1	-	1
Sterling	70	9,701	9,771
Swiss Franc	118	-	118
US Dollar	3,145	129,720	132,865
Total	3,691	221,324	225,015

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the Fund's exposure to interest rate risk is considered insignificant.

Global Energy Fund

Distribution Table

For the year ended 31 December 2012

Final distribution payable 28 February 2013

Group 1 – shares purchased before 1 January 2012

Group 2 – shares purchased between 1 January 2012 and 31 December 2012

	Net income pence	Equalisation pence	Distribution payable 28-Feb-13 pence	Distribution paid 28-Feb-12 pence
Share Class A – Accumulation				
Group 1	0.6049	-	0.6049	1.3472
Group 2	0.4666	0.1383	0.6049	1.3472
Share Class I - Accumulation				
Group 1	2.4545	-	2.4545	3.3690
Group 2	1.9502	0.5043	2.4545	3.3690
Share Class S - Accumulation				
Group 1	2.6337	-	2.6337	3.3310
Group 2	1.7601	0.8736	2.6337	3.3310
	Net income US cent	Equalisation US cent	Distribution payable 28-Feb-13 US cent	Distribution paid 28-Feb-12 US cent
Share Class A 'USD' - Accumulation*				
Group 1	1.3452	-	1.3452	n/a
Group 2	0.9632	0.3820	1.3452	n/a

* Launched 8 May 2012

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Global Free Enterprise Fund

Statement of Total Return

For the year ended 31 December 2012

		31.12.12		31.12.11	
	Note	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		42,123		(35,753)
Revenue	6	8,567		8,025	
Expenses	7	(2,983)		(3,538)	
Finance costs: Interest	9	-		(4)	
Net revenue before taxation		5,584		4,483	
Taxation	8	(923)		(686)	
Net revenue after taxation			4,661		3,797
Total return before distributions			46,784		(31,956)
Finance costs: Distributions	9		(4,661)		(3,797)
Change in net assets attributable to shareholders from investment activities			42,123		(35,753)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2012

	31.12.12		31.12.11	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		357,861		451,285
Amounts receivable on issue of shares	10,923		24,080	
Amounts payable on cancellation of shares	(64,493)		(85,401)	
		(53,570)		(61,321)
Dilution adjustment		63		-
Stamp duty reserve tax		(1)		(7)
Change in net assets attributable to shareholders from investment activities		42,123		(35,753)
Retained distribution on accumulation shares		4,321		3,653
Unclaimed distributions		-		4
Closing net assets attributable to shareholders		350,797		357,861

Notes to the financial statements are on pages 99 to 105.

Global Free Enterprise Fund

Balance Sheet

As at 31 December 2012

	Note	31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
ASSETS					
Investment assets			346,100		351,841
Debtors	10	225		381	
Cash and bank balances	11	53,486		41,713	
Total other assets			53,711		42,094
Total assets			399,811		393,935
LIABILITIES					
Creditors	12	399		598	
Bank overdrafts		48,615		35,476	
Total liabilities			49,014		36,074
Net assets attributable to shareholders			350,797		357,861

Notes to the financial statements are on pages 99 to 105.

Global Free Enterprise Fund

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 49-50.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the aggregated financial statements on page 51.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 52-55.

4. Net capital gains/(losses)

The net capital gains/(losses) during the year comprise:

	31.12.12 £'000	31.12.11 £'000
Non-derivative securities	42,282	(35,657)
Losses on foreign exchange	(136)	(68)
Transaction charges	(23)	(28)
Net capital gains/(losses)	42,123	(35,753)

5. Purchases, sales and transaction costs

	31.12.12 £'000	31.12.11 £'000
Purchases excluding transaction costs	154,940	233,175
Commissions	140	222
Taxes	6	111
Total purchase transaction costs*	146	333
Purchases including transaction costs	155,086	233,508
Sales excluding transaction costs	203,304	294,364
Commissions	(158)	(273)
Taxes	(40)	(65)
Total sales transaction costs*	(198)	(338)
Sales net of transaction costs	203,106	294,026
Transaction handling charges*	23	28

*These amounts have been deducted in determining net capital gains/(losses).

Global Free Enterprise Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

6. Revenue

	31.12.12 £'000	31.12.11 £'000
UK dividends	197	598
Overseas dividends	8,325	7,308
Stock lending income*	32	98
Bank interest	13	21
Total revenue	8,567	8,025

**The Fund enters into stock lending arrangements with various counterparties. As at 31 December 2012 the total value of securities on loan was £1,721,000 (31.12.11: £14,632,000). The value of collateral held in respect of securities on loan was £1,762,000 (31.12.11: £15,264,000) AAA rated G-10 sovereign debt apart from Belgium and United States of America which are AA+ rated.

7. Expenses

	31.12.12 £'000	31.12.11 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	2,608	3,058
General administration charge (GAC)	320	360
	2,928	3,418
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	92	129
	92	129
Other expenses:		
VAT refund	(37)	(9)
	(37)	(9)
Total expenses	2,983	3,538

Please refer to the Prospectus for a full description of expenses covered by the GAC, which includes the audit fee for the year of £7,000 (31.12.11: £7,000).

VAT is currently recovered in respect of certain expenses paid under the GAC.

Global Free Enterprise Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

8. Taxation

a) Analysis of the tax charge for the year:

	31.12.12 £'000	31.12.11 £'000
Overseas tax	923	686
Current tax charge (note 8(b))	923	686
Deferred tax charge (note 8c)	-	-
Total tax charge	923	686

b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%) (31.12.11: 20%). The differences are explained below:-

	31.12.12 £'000	31.12.11 £'000
Net revenue before taxation	5,584	4,483
Corporation tax of 20%	1,117	897

Effects of:

Revenue not subject to taxation	(1,652)	(1,542)
Movement in excess management expenses	543	648
Overseas tax expensed	(8)	(3)
Overseas tax	923	686
Total current tax (note 8(a))	923	686

c) Factors affecting future tax charge:

The Fund has surplus management expenses that have resulted in an unrecognised deferred tax asset of £1,950,000 (31.12.11: £1,407,000). This asset has not been recognised in the financial statements due to the inherent uncertainty of the Fund to generate sufficient taxable net revenues.

Global Free Enterprise Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

9. Finance costs

Distributions and Interest

The distributions take account of equalisation received on the creation of shares and deducted on cancellation of shares, and comprise:

	31.12.12 £'000	31.12.11 £'000
Final	4,321	3,653
	4,321	3,653
Add: Equalisation deducted on cancellation of shares	386	195
Less: Equalisation received on creation of shares	(46)	(51)
Finance costs: Distributions	4,661	3,797
Finance costs: Interest	-	4
Total finance costs	4,661	3,801

The net distribution for the year is represented by:

	31.12.12 £'000	31.12.11 £'000
Net revenue after taxation	4,661	3,797
Finance costs: Distributions	4,661	3,797

10. Debtors

	31.12.12 £'000	31.12.11 £'000
Amounts receivable for creation of shares	3	-
Accrued dividends and bank interest	89	263
Overseas tax recoverable	133	118
	225	381

11. Cash and bank balances

	31.12.12 £'000	31.12.11 £'000
Cash and bank balances	53,486	41,713
	53,486	41,713

Global Free Enterprise Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

12. Creditors

	31.12.12 £'000	31.12.11 £'000
Amounts payable for cancellation of shares	127	331
Accrued ACD fee	217	218
Accrued general administration charge	27	27
Accrued safe custody fee	25	18
Accrued transaction charges	3	4
	399	598

13. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date. (31.12.11: Nil).

14. Related party transactions

Investec Fund Managers Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on cancellation are disclosed in the Statement of Change in Shareholders' Net Assets.

In accordance with the prospectus the ACD collects from the Fund, a general administration charge (GAC), ACD fees and safe custody fees. Please refer to notes 7, 12 and 16 for further details.

Any amounts due to/from Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 10 and 12.

At the year end date 0.14% of the Fund's shares (by net asset value) were held by other Funds managed by the ACD (31.12.11: 0.12%).

15. Dilution adjustment

Please refer to note 15 of the aggregated financial statements for a detailed description of dilution adjustment.

16. ACD fees

The different level of ACD fees payable per annum as at 31 December 2012 for each share class is detailed below:

A Shares	1.50%
I Shares	0.75%
S Shares	0.00%

The GAC is charged at 0.09% per annum of the Net Asset Value of each share class.

All shares within the sub-fund have the same rights on winding up.

Global Free Enterprise Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

17. Risk considerations

Please refer to note 3 of the aggregated financial statements for a detailed description of the risk considerations. There are no further specific risks for this Fund.

The Fund's currency exposure as at 31 December 2012 was:

Currency	Monetary exposures	Net currency assets Non monetary exposures	Total
	31.12.12 £'000	31.12.12 £'000	31.12.12 £'000
Australian Dollar	-	10,251	10,251
Brazilian Real	23	2,329	2,352
Canadian Dollar	1	-	1
Danish Krone	-	4,997	4,997
Euro	57	38,713	38,770
Hong Kong Dollar	(1)	18,391	18,390
Indonesian Rupiah	-	3,410	3,410
Japanese Yen	76	28,462	28,538
Mexican Peso	1	7,817	7,818
Norwegian Krone	1	-	1
South African Rand	54	3,205	3,259
Sterling	4,098	3,755	7,853
South Korean Won	-	9,330	9,330
Swedish Krona	-	3,810	3,810
Swiss Franc	51	9,237	9,288
US Dollar	336	202,393	202,729
Total	4,697	346,100	350,797

Global Free Enterprise Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

The Fund's currency exposure as at 31 December 2011 was:

Currency	Monetary exposures	Net currency assets Non monetary exposures	Total
	31.12.11 £'000	31.12.11 £'000	31.12.11 £'000
Australian Dollar	184	8,842	9,026
Brazilian Real	52	7,448	7,500
Canadian Dollar	1	-	1
Danish Krone	173	9,830	10,003
Euro	116	35,069	35,185
Hong Kong Dollar	75	21,209	21,284
Japanese Yen	-	30,943	30,943
Mexican Peso	124	6,730	6,854
Norwegian Kroner	1	-	1
South African Rand	160	6,067	6,227
Sterling	4,667	9,383	14,050
South Korean Won	-	15,811	15,811
Swedish Krona	88	2,907	2,995
Swiss Franc	94	6,255	6,349
US Dollar	285	191,347	191,632
Total	6,020	351,841	357,861

The majority of the Fund's financial assets are equity shares and other investments which neither pay interest nor have a maturity date. Therefore, the fund's exposure to interest rate risk is not considered to be significant.

Global Free Enterprise Fund

Distribution Table

For the year ended 31 December 2012

Final distribution payable 28 February 2013

Group 1 – shares purchased before 1 January 2012

Group 2 – shares purchased between 1 January 2012 and 31 December 2012

	Net income pence	Equalisation pence	Distribution payable 28-Feb-13 pence	Distribution paid 28-Feb-12 pence
Share Class A – Accumulation				
Group 1	2.1096	-	2.1096	0.7754
Group 2	0.5445	1.5651	2.1096	0.7754
Share Class I – Accumulation				
Group 1	1.2392	-	1.2392	0.8401
Group 2	0.4559	0.7833	1.2392	0.8401
Share Class S – Accumulation				
Group 1	2.3782	-	2.3782	1.9017
Group 2	0.5600	1.8182	2.3782	1.9017

	Net income US cent	Equalisation US cent	Distribution payable 28-Feb-13 US cent	Distribution paid 28-Feb-12 US cent
Share Class A 'USD' – Accumulation*				
Group 1	3.4446	-	3.4446	n/a
Group 2	0.1140	3.3306	3.4446	n/a

*Launched 8 May 2012

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Monthly High Income Fund

Statement of Total Return

For the year ended 31 December 2012

	Note	31.12.12		31.12.11	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	4		23,426		(21,720)
Revenue	6	14,459		15,434	
Expenses	7	(2,422)		(2,462)	
Finance costs: Interest	9	(1)		(1)	
Net revenue before taxation		12,036		12,971	
Taxation	8	(3)		-	
Net revenue after taxation			12,033		12,971
Total return before distributions			35,459		(8,749)
Finance costs: Distributions	9		(14,456)		(15,434)
Change in net assets attributable to shareholders from investment activities			21,003		(24,183)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2012

	31.12.12		31.12.11	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		184,014		200,621
Amounts receivable on issue of shares	22,118		39,082	
Amounts payable on cancellation of shares	(29,307)		(36,988)	
		(7,189)		2,094
Stamp duty reserve tax		-		(2)
Dilution adjustment		(6)		-
Change in net assets attributable to shareholders from investment activities		21,003		(24,183)
Retained distribution on accumulation shares		4,815		5,474
Unclaimed distributions		2		10
Closing net assets attributable to shareholders		202,639		184,014

Notes to the financial statements are on pages 109 to 116.

Monthly High Income Fund

Balance Sheet

As at 31 December 2012

		31.12.12		31.12.11	
	Note	£'000	£'000	£'000	£'000
ASSETS					
Investment assets			189,545		166,781
Debtors	10	3,653		3,960	
Cash and bank balances	11	51,064		30,792	
Total other assets			54,717		34,752
Total assets			244,262		201,533
LIABILITIES					
Investment liabilities			602		444
Creditors	12	1,445		1,597	
Bank overdrafts		37,961		13,428	
Distribution payable on income shares		1,615		2,050	
Total other liabilities			41,021		17,075
Total liabilities			41,623		17,519
Net assets attributable to shareholders			202,639		184,014

Notes to the financial statements are on pages 109 to 116.

Monthly High Income Fund

Notes to the financial statements

For the year ended 31 December 2012

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 49-50.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the aggregated financial statements on page 51.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the aggregated financial statements on pages 52-55.

4. Net capital gains/(losses)

The net capital gains/(losses) during the year comprise:

	31.12.12 £'000	31.12.11 £'000
Non-derivative securities	20,940	(23,431)
Derivative contracts	(2,492)	(1,209)
Forward currency contracts	(2,994)	2,986
Gains/(losses) on foreign exchange	7,977	(49)
Transaction charges	(5)	(17)
Net capital gains/(losses)	23,426	(21,720)

5. Purchases, sales and transaction costs

	31.12.12 £'000	31.12.11 £'000
Purchases excluding transaction costs	70,678	144,588
Commissions	-	3
Total purchase transaction costs*	-	3
Purchases including transaction costs	70,678	144,591
Sales excluding transaction costs	63,619	151,992
Total sales transaction costs*	-	-
Sales net of transaction costs	63,619	151,992
Transaction handling charges*	5	17

*These amounts have been deducted in determining net capital gains/(losses).

Monthly High Income Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

6. Revenue

	31.12.12 £'000	31.12.11 £'000
Interest on debt securities	14,275	15,210
Stock lending income*	148	158
Bank interest	36	66
Total revenue	14,459	15,434

*The Fund enters into stock lending arrangements with various counterparties. As at 31 December 2012 the total value of securities on loan was £33,585,000 (31.12.11: £52,453,000). The value of collateral held in respect of securities on loan was £34,139,000 (31.12.11: £53,486,000) AAA rated G-10 sovereign debt apart from Belgium and United States of America which are AA+ rated.

7. Expenses

	31.12.12 £'000	31.12.11 £'000
Payable to the ACD, associates of the ACD, and agents of either of them:		
ACD fee	2,213	2,257
General administration charge (GAC)	179	182
	2,392	2,439
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	31	24
	31	24
Other expenses:		
VAT refund	(1)	(1)
	(1)	(1)
Total expenses	2,422	2,462

Please refer to the Prospectus for a full description of expenses covered by the GAC, which includes the audit fee for the year of £9,000 (31.12.11: £7,000).

VAT is currently recovered in respect of certain expenses paid under the GAC.

Monthly High Income Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

8. Taxation

a) Analysis of charge for the year:

	31.12.12 £'000	31.12.11 £'000
Overseas tax	3	-
Current tax charge (note 8(b))	3	-
Deferred tax charge (note 8(c))	-	-
Total tax charge	3	-

b) Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised OEIC (20%) (31.12.11: 20%). The differences are explained below:

	31.12.12 £'000	31.12.11 £'000
Net revenue before taxation	12,036	12,971
Corporation tax of 20%	2,407	2,594

Effects of:

Movement in excess management expenses	485	493
Overseas tax expense	(1)	-
Overseas tax	3	-
Tax deductible interest distributions	(2,891)	(3,087)
Total current tax (note 8(a))	3	-

c) Factors affecting future tax charge:

The Fund has surplus management expenses that have resulted in an unrecognised deferred tax asset of £1,854,000 (31.12.11: £1,369,000). This asset has not been recognised in the financial statements due to the inherent uncertainty of the Fund to generate sufficient taxable net revenues.

Monthly High Income Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

9. Finance costs

Distributions and Interest

The distributions take account of equalisation received on the creation of shares and deducted on cancellation of shares, and comprise:

	31.12.12 £'000	31.12.11 £'000
January	905	901
February	916	910
March	910	930
April	899	913
May	916	924
June	915	947
July	916	954
August	913	906
September	914	890
October	905	905
November	898	892
December	1,802	2,513
Income tax deducted at source	2,603	2,767
	14,412	15,352
Add: Equalisation deducted on cancellation of shares	139	369
Less: Equalisation received on creation of shares	(95)	(287)
Finance costs: Distributions	14,456	15,434
Finance costs: Interest	1	1
Total finance costs	14,457	15,435

The net distribution for the year is represented by:

	31.12.12 £'000	31.12.11 £'000
Net revenue after taxation	12,033	12,971
Amounts charged to capital:		
ACD fee	2,213	2,257
General administration charge (GAC)	179	182
Safe custody fee	31	24
Finance costs: Distributions	14,456	15,434

10. Debtors

	31.12.12 £'000	31.12.11 £'000
Amounts receivable for creation of shares	22	331
Accrued bond interest	3,631	3,629
	3,653	3,960

Monthly High Income Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

11. Cash and bank balances

	31.12.12 £'000	31.12.11 £'000
Amounts held at futures clearing houses and brokers	270	270
Cash and bank balances	50,794	30,522
	51,064	30,792

12. Creditors

	31.12.12 £'000	31.12.11 £'000
Amounts payable for cancellation of shares	249	285
Accrued ACD fee	190	181
Accrued general administration charge	16	14
Accrued safe custody fee	8	5
Accrued transaction charges	1	2
Income tax payable on interest distributions	981	1,110
	1,445	1,597

13. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date. (31.12.11: Nil).

14. Related party transactions

Investec Fund Managers Limited, as Authorised Corporate Director (ACD), is a related party, and acts as a principal in respect of all transactions of shares in the Company. The aggregate monies received through issues and paid on cancellation are disclosed in the Statement of Change in Shareholders' Net Assets.

In accordance with the prospectus the ACD collects from the Fund, a general administration charge (GAC), ACD fees and safe custody fees. Please refer to notes 7, 12 and 16 for further details.

Any amounts due to/from Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 10 and 12.

At the year end date 9.81% of the Fund's shares (by net asset value) were held by other Funds managed by the ACD (31.12.11: 7.7%).

15. Dilution adjustment

Please refer to note 15 of the aggregated financial statements for a detailed description of dilution adjustment.

Monthly High Income Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

16. ACD fees

The different level of ACD fees payable per annum as at 31 December 2012 for each share class is detailed below:

A Shares	1.25%
I Shares	0.65%
S Shares	0.00%

The GAC is charged at 0.09% per annum of the Net Asset Value of each share class.

All shares within the sub-fund have the same rights on winding up.

17. Risk considerations

Please refer to note 3 of the aggregated financial statements for a detailed description of the risk considerations. There are no further specific risks for this Fund.

The Fund's currency exposure as at 31 December 2012 was:

Currency	Net currency assets		Total 31.12.12 £'000
	Monetary exposures 31.12.12 £'000	Non-monetary exposures 31.12.12 £'000	
Euro	(130,074)	129,722	(352)
Sterling	172,946	30,240	203,186
US Dollar	(29,626)	29,431	(195)
Total	13,246	189,393	202,639

The Fund's currency exposure as at 31 December 2011 was:

Currency	Net currency assets		Total 31.12.11 £'000
	Monetary exposures 31.12.11 £'000	Non-monetary exposures 31.12.11 £'000	
Euro	(112,652)	112,762	110
Sterling	163,488	20,470	183,958
Swiss Franc	1	-	1
US Dollar	(28,034)	27,979	(55)
Total	22,803	161,211	184,014

Monthly High Income Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

17. Risk considerations (continued)

Interest rate risk profile of financial assets and liabilities as at 31 December 2012 was as follows:

	Floating rate financial assets*	Fixed rate financial assets**	Financial assets not carrying interest	Total
	31.12.12	31.12.12	31.12.12	31.12.12
Currency	£'000	£'000	£'000	£'000
Euro	29,168	115,869	(130,288)	14,749
Sterling	33,182	30,240	163,076	226,498
US Dollar	2,567	29,431	(29,585)	2,413
	64,917	175,540	3,203	243,660

	Floating rate financial liabilities*		Financial liabilities not carrying interest	Total
	31.12.12		31.12.12	31.12.12
Currency	£'000		£'000	£'000
Euro	15,101		-	15,101
Sterling	20,252		3,060	23,312
US Dollar	2,608		-	2,608
	37,961		3,060	41,021

Interest rate risk profile of financial assets and liabilities as at 31 December 2011 was as follows:

	Floating rate financial assets*	Fixed rate financial assets**	Financial assets not carrying interest	Total
	31.12.11	31.12.11	31.12.11	31.12.11
Currency	£'000	£'000	£'000	£'000
Euro	18,801	99,691	(112,657)	5,835
Sterling	24,604	20,470	149,714	194,788
Swiss Franc	1	-	-	1
US Dollar	457	27,979	(27,971)	465
Total	43,863	148,140	9,086	201,089

Monthly High Income Fund

Notes to the financial statements (continued)

For the year ended 31 December 2012

17. Risk considerations (continued)

	Floating rate financial liabilities*	Financial liabilities not carrying interest	Total
Currency	31.12.11 £'000	31.12.11 £'000	31.12.11 £'000
Euro	5,725	-	5,725
Sterling	7,183	3,647	10,830
US Dollar	520	-	520
	13,428	3,647	17,075

	Fixed rate financial assets weighted interest rate	Fixed rate financial assets weighted average period for which rate is fixed
Currency	31.12.12 (%)	31.12.12 (years)
Euro	7.95	8.56
Sterling	8.45	7.34
US Dollar	7.46	6.73

	Fixed rate financial assets weighted interest rate	Fixed rate financial assets weighted average period for which rate is fixed
Currency	31.12.11 (%)	31.12.11 (years)
Euro	8.08	7.95
Sterling	8.53	5.92
US Dollar	1.53	6.13

* The figures relate to cash at bank, on deposit and bank overdraft which earns/pays variable interest calculated by reference to LIBOR in the applicable currency.

** Includes investment liabilities

Monthly High Income Fund

Distribution Table

For the year ended 31 December 2012

Interim distribution paid 31 March 2012

Group 1 – shares purchased on or before 1 January 2012

Group 2 – shares purchased between 1 January 2012 and 31 January 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 31-Mar-12 pence	Distribution paid 31-Mar-11 pence
Share Class A Net – Accumulation						
Group 1	0.9356	0.1871	0.7485	-	0.7485	0.7050
Group 2	0.2868	0.0574	0.2294	0.5191	0.7485	0.7050
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	0.1716	0.0343	0.1373	0.1827	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7423	0.1485	0.5938	-	0.5938	0.5558
Group 2	0.0469	0.0094	0.0375	0.5563	0.5938	0.5558
Share Class S Gross – Accumulation						
Group 1	0.9404	-	0.9404	-	0.9404	0.8590
Group 2	0.9404	-	0.9404	-	0.9404	0.8590

Interim distribution paid 30 April 2012

Group 1 – shares purchased on or before 1 February 2012

Group 2 – shares purchased between 1 February 2012 and 28 February 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 30-Apr-12 pence	Distribution paid 30-Apr-11 pence
Share Class A Net – Accumulation						
Group 1	0.9399	0.1880	0.7519	-	0.7519	0.7050
Group 2	0.3008	0.0602	0.2406	0.5113	0.7519	0.7050
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	0.1173	0.0235	0.0938	0.2262	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7460	0.1492	0.5968	-	0.5968	0.5558
Group 2	0.5898	0.1180	0.4718	0.1250	0.5968	0.5558
Share Class S Gross – Accumulation						
Group 1	0.9468	-	0.9468	-	0.9468	0.8590
Group 2	0.3495	-	0.3495	0.5973	0.9468	0.8590

Monthly High Income Fund

Interim distribution paid 31 May 2012

Group 1 – shares purchased on or before 29 February 2012

Group 2 – shares purchased between 29 February 2012 and 31 March 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 31-May-12 pence	Distribution paid 31-May-11 pence
Share Class A Net – Accumulation						
Group 1	0.9441	0.1888	0.7553	-	0.7553	0.7093
Group 2	0.2289	0.0458	0.1831	0.5722	0.7553	0.7093
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	0.0741	0.0148	0.0593	0.2607	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7498	0.1500	0.5998	-	0.5998	0.5604
Group 2	0.2518	0.0504	0.2014	0.3984	0.5998	0.5604
Share Class S Gross – Accumulation						
Group 1	0.9533	-	0.9533	-	0.9533	0.8711
Group 2	0.9533	-	0.9533	-	0.9533	0.8711

Interim distribution paid 30 June 2012

Group 1 – shares purchased on or before 1 April 2012

Group 2 – shares purchased between 1 April 2012 and 30 April 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 30-Jun-12 pence	Distribution paid 30-Jun-11 pence
Share Class A Net – Accumulation						
Group 1	0.9484	0.1897	0.7587	-	0.7587	0.7123
Group 2	0.0381	0.0076	0.0305	0.7282	0.7587	0.7123
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	0.0224	0.0045	0.0179	0.3021	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7535	0.1507	0.6028	-	0.6028	0.5630
Group 2	0.2924	0.0585	0.2339	0.3689	0.6028	0.5630
Share Class S Gross – Accumulation						
Group 1	0.9597	-	0.9597	-	0.9597	0.8765
Group 2	0.9597	-	0.9597	-	0.9597	0.8765

Monthly High Income Fund

Interim distribution paid 31 July 2012

Group 1 – shares purchased on or before 1 May 2012

Group 2 – shares purchased between 1 May 2012 and 31 May 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 31-Jul-12 pence	Distribution paid 31-Jul-11 pence
Share Class A Net – Accumulation						
Group 1	0.9526	0.1905	0.7621	-	0.7621	0.7153
Group 2	0.1099	0.0220	0.0879	0.6742	0.7621	0.7153
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	0.0586	0.0117	0.0469	0.2731	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7571	0.1514	0.6057	-	0.6057	0.5657
Group 2	-	-	-	0.6057	0.6057	0.5657
Share Class I Net – Income*						
Group 1	0.5608	0.1122	0.4486	-	0.4486	n/a
Group 2	0.5608	0.1122	0.4486	-	0.4486	n/a
Share Class S Gross – Accumulation						
Group 1	0.9662	-	0.9662	-	0.9662	0.8823
Group 2	0.0753	-	0.0753	0.8909	0.9662	0.8823

Interim distribution paid 31 August 2012

Group 1 – shares purchased on or before 1 June 2012

Group 2 – shares purchased between 1 June 2012 and 30 June 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 31-Aug-12 pence	Distribution paid 31-Aug-11 pence
Share Class A Net – Accumulation						
Group 1	0.9565	0.1913	0.7652	-	0.7652	0.7184
Group 2	0.0204	0.0041	0.0163	0.7489	0.7652	0.7184
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	0.0179	0.0036	0.0143	0.3057	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7609	0.1522	0.6087	-	0.6087	0.5683
Group 2	-	-	-	0.6087	0.6087	0.5683
Share Class I Net – Income*						
Group 1	0.5639	0.1128	0.4511	-	0.4511	n/a
Group 2	0.5639	0.1128	0.4511	-	0.4511	n/a
Share Class S Gross – Accumulation						
Group 1	0.9728	-	0.9728	-	0.9728	0.8877
Group 2	0.9728	-	0.9728	-	0.9728	0.8877

Monthly High Income Fund

Interim distribution paid 30 September 2012

Group 1 – shares purchased on or before 1 July 2012

Group 2 – shares purchased between 1 July 2012 and 31 July 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 30-Sep-12 pence	Distribution paid 30-Sep-11 pence
Share Class A Net – Accumulation						
Group 1	0.9609	0.1922	0.7687	-	0.7687	0.7214
Group 2	0.0669	0.0134	0.0535	0.7152	0.7687	0.7214
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	-	-	-	0.3200	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7646	0.1529	0.6117	-	0.6117	0.5710
Group 2	-	-	-	0.6117	0.6117	0.5710
Share Class I Net – Income*						
Group 1	0.5636	0.1127	0.4509	-	0.4509	n/a
Group 2	0.5636	0.1127	0.4509	-	0.4509	n/a
Share Class S Gross – Accumulation						
Group 1	0.9795	-	0.9795	-	0.9795	0.8935
Group 2	-	-	-	0.9795	0.9795	0.8935

Interim distribution paid 31 October 2012

Group 1 – shares purchased on or before 1 August 2012

Group 2 – shares purchased between 1 August 2012 and 31 August 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 31-Oct-12 pence	Distribution paid 31-Oct-11 pence
Share Class A Net – Accumulation						
Group 1	0.9653	0.1931	0.7722	-	0.7722	0.7245
Group 2	-	-	-	0.7722	0.7722	0.7245
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	-	-	-	0.3200	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7686	0.1537	0.6149	-	0.6149	0.5738
Group 2	-	-	-	0.6149	0.6149	0.5738
Share Class I Net – Income*						
Group 1	0.5638	0.1128	0.4510	-	0.4510	n/a
Group 2	0.0278	0.0056	0.0222	0.4288	0.4510	n/a
Share Class S Gross – Accumulation						
Group 1	0.9862	-	0.9862	-	0.9862	0.8997
Group 2	0.9862	-	0.9862	-	0.9862	0.8997

Monthly High Income Fund

Interim distribution paid 30 November 2012

Group 1 – shares purchased on or before 1 September 2012

Group 2 – shares purchased between 1 September 2012 and 30 September 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 30-Nov-12 pence	Distribution paid 30-Nov-11 pence
Share Class A Net – Accumulation						
Group 1	0.9695	0.1939	0.7756	-	0.7756	0.7280
Group 2	-	-	-	0.7756	0.7756	0.7280
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	-	-	-	0.3200	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7724	0.1545	0.6179	-	0.6179	0.5768
Group 2	0.0458	0.0092	0.0366	0.5813	0.6179	0.5768
Share Class I Net – Income*						
Group 1	0.5640	0.1128	0.4512	-	0.4512	n/a
Group 2	0.3644	0.0729	0.2915	0.1597	0.4512	n/a
Share Class S Gross – Accumulation						
Group 1	0.9927	-	0.9927	-	0.9927	0.9061
Group 2	-	-	-	0.9927	0.9927	0.9061

Interim distribution paid 31 December 2012

Group 1 – shares purchased on or before 1 October 2012

Group 2 – shares purchased between 1 October 2012 and 31 October 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution paid 31-Dec-12 pence	Distribution paid 31-Dec-11 pence
Share Class A Net – Accumulation						
Group 1	0.9738	0.1948	0.7790	-	0.7790	0.7315
Group 2	-	-	-	0.7790	0.7790	0.7315
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	-	-	-	0.3200	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7763	0.1553	0.6210	-	0.6210	0.5798
Group 2	-	-	-	0.6210	0.6210	0.5798
Share Class I Net – Income*						
Group 1	0.5644	0.1129	0.4515	-	0.4515	n/a
Group 2	0.2119	0.0424	0.1695	0.2820	0.4515	n/a
Share Class S Gross – Accumulation						
Group 1	0.9992	-	0.9992	-	0.9992	0.9127
Group 2	-	-	-	0.9992	0.9992	0.9127

Monthly High Income Fund

Interim distribution payable 31 January 2013

Group 1 – shares purchased on or before 1 November 2012

Group 2 – shares purchased between 1 November 2012 and 30 November 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution payable 31-Jan-13 pence	Distribution paid 31-Jan-12 pence
Share Class A Net – Accumulation						
Group 1	0.9780	0.1956	0.7824	-	0.7824	0.7347
Group 2	-	-	-	0.7824	0.7824	0.7347
Share Class A Net – Income						
Group 1	0.4000	0.0800	0.3200	-	0.3200	0.3200
Group 2	-	-	-	0.3200	0.3200	0.3200
Share Class I Net – Accumulation						
Group 1	0.7799	0.1560	0.6239	-	0.6239	0.5827
Group 2	-	-	-	0.6239	0.6239	0.5827
Share Class I Net – Income*						
Group 1	0.5645	0.1129	0.4516	-	0.4516	n/a
Group 2	-	-	-	0.4516	0.4516	n/a
Share Class S Gross – Accumulation						
Group 1	1.0057	-	1.0057	-	1.0057	0.9188
Group 2	-	-	-	1.0057	1.0057	0.9188

Final distribution payable 28 February 2013

Group 1 – shares purchased on or before 1 December 2012

Group 2 – shares purchased between 1 December 2012 and 31 December 2012

	Gross income pence	Income tax @ 20% pence	Net income pence	Equalisation pence	Distribution payable 28-Feb-13 pence	Distribution paid 28-Feb-12 pence
Share Class A Net – Accumulation						
Group 1	1.9584	0.3917	1.5667	-	1.5667	1.9655
Group 2	0.5326	0.1065	0.4261	1.1406	1.5667	1.9655
Share Class A Net – Income						
Group 1	0.8071	0.1614	0.6457	-	0.6457	0.8938
Group 2	0.2821	0.0564	0.2257	0.4200	0.6457	0.8938
Share Class I Net – Accumulation						
Group 1	1.5460	0.3092	1.2368	-	1.2368	1.5832
Group 2	0.5399	0.1080	0.4319	0.8049	1.2368	1.5832
Share Class I Net – Income*						
Group 1	0.8678	0.1736	0.6942	-	0.6942	n/a
Group 2	0.1694	0.0339	0.1355	0.5587	0.6942	n/a
Share Class S Gross – Accumulation						
Group 1	1.9893	-	1.9893	-	1.9893	2.9206
Group 2	1.9893	-	1.9893	-	1.9893	2.9206

* Launched 2 May 2012

Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of income included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Other information

ISA status

During the period 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 2012 and will be distributed to shareholders, where applicable, on 28 February 2013. For accumulation shares payments are deemed to be paid on 28 February 2013.

Telephone calls

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

Authorised Corporate Director (ACD)

Investec Fund Managers Limited

Contact address	PO Box 9042, Chelmsford CM99 2XL
Telephone	+44 (0)20 7597 1900
Free phone	0800 389 2299
Email	enquiries@investecmail.com
Indicator	online valuation service www.investecassetmanagement.com
Registered address:	Woolgate Exchange 25 Basinghall Street, London EC2V 5HA

Investment Adviser

Investec Asset Management Limited

Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

Registered number for Investec Funds Series ii

IC125 England and Wales

Registrar

International Financial Data Services (UK) Limited

IFDS House
St. Nicholas Lane
Basildon
Essex SS15 5FS

Depository

State Street Trustees Limited

20 Churchill Place
London E14 5HJ

Fund Administrator

State Street Bank and Trust Company Limited

20 Churchill Place
London E14 5HJ

Independent Auditors

KPMG Audit Plc

15 Canada Square
Canary Wharf
London E14 5GL

Issued by Investec Fund Managers Limited, February 2013.
Authorised and regulated by the Financial Services Authority

Investec Funds Series ii

Registration in overseas markets (unaudited)

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

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

Investec Funds Series ii was de-registered in Germany, Luxembourg and Netherlands on 1 April 2012.

The Company's Prospectus, Key Investor Information Documents, Instrument of Incorporation, annual and semi-annual reports 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, PO 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.

ACD fees during the year 01/01/12 to 31/12/12

	Effective charge and daily calculated (%)	Commission for administration, monthly paid to ACD (%)	Commission for administration according to the prospectus (%)
American Fund 'A' Class	0.00410959	0.12500000	1.50
American Fund 'B' Class	0.00342466	0.10416667	1.25
American Fund 'I' Class	0.00205479	0.06250000	0.75
American Fund 'S' Class	0.00000000	0.00000000	0.00
Asia ex Japan Fund 'A' class	0.00410959	0.12500000	1.50
Asia ex Japan Fund 'B' Class	0.00342466	0.10416667	1.25
Asia ex Japan Fund 'I' Class	0.00205479	0.06250000	0.75
Asia ex Japan Fund 'S' Class	0.00000000	0.00000000	0.00
European Fund 'A' Class	0.00410959	0.12500000	1.50
European Fund 'I' Class	0.00205479	0.06250000	0.75
Global Energy Fund 'A' Class	0.00410959	0.12500000	1.50
Global Energy Fund 'I' Class	0.00205479	0.06250000	0.75
Global Energy Fund 'S' Class	0.00000000	0.00000000	0.00
Global Free Enterprise Fund 'A' Class	0.00410959	0.12500000	1.50
Global Free Enterprise Fund 'I' Class	0.00205479	0.06250000	0.75
Global Free Enterprise Fund 'S' Class	0.00000000	0.00000000	0.00
Monthly High Income Fund 'A' Class	0.00342466	0.10416667	1.25
Monthly High Income Fund 'I' Class	0.00178082	0.05416667	0.65
Monthly High Income Fund 'S' Class	0.00000000	0.00000000	0.00

Additional Information for Overseas Regulators (unaudited)

Sub-Fund Class	Shares start of year	Shares created	Shares redeemed	Shares end of year
American Fund 'A' Class (Accumulation shares)	256,914,994	16,679,214	(149,498,964)	124,095,244
American Fund 'A' Class (GBP Hedge Accumulation shares)	12,768,494	392,467	(12,878,419)	282,542
American Fund 'A' Class (USD Accumulation shares)	-	38,291,694	(37,183,438)	1,108,256
American Fund 'B' Class (Accumulation shares)	5,467,843	17,143	(957,718)	4,527,268
American Fund 'I' Class (Accumulation shares)	108,734,303	8,128,940	(103,632,742)	13,230,501
American Fund 'S' Class (Accumulation shares)	2,311,793	247,132	(632,635)	1,926,290
Asia ex Japan Fund 'A' class (Accumulation shares)	70,195,663	20,316,791	(59,554,306)	30,958,148
Asia ex Japan Fund 'B' Class (Accumulation shares)	144,961	1,104	(15,983)	130,082
Asia ex Japan Fund 'I' Class (Accumulation shares)	5,137,452	628,789	(4,701,394)	1,064,847
Asia ex Japan Fund 'S' Class (Accumulation shares)	116,388	15,479	(30,012)	101,855
European Fund 'A' Class (Accumulation shares)	9,744,846	33,837	(1,504,455)	8,274,228
European Fund 'I' Class (Accumulation shares)	25,504	220,758	(53,538)	192,724
Global Energy Fund 'A' Class (Accumulation shares)	71,037,020	4,078,360	(28,859,593)	46,255,787
Global Energy Fund 'A' Class (USD Accumulation shares)	-	1,160,423	(259,015)	901,408
Global Energy Fund 'I' Class (Accumulation shares)	25,070,010	13,082,018	(12,230,324)	25,921,704
Global Energy Fund 'I' Class (USD Accumulation shares)	-	620,127	(620,127)	-
Global Energy Fund 'S' Class (Accumulation shares)	3,544,702	354,483	(604,629)	3,294,556
Global Free Enterprise Fund 'A' Class (Accumulation shares)	45,423,049	1,781,986	(7,845,892)	39,359,143
Global Free Enterprise Fund 'A' Class (USD Accumulation shares)	-	949,848	(176,365)	773,483
Global Free Enterprise Fund 'I' Class (Accumulation shares)	715,538	30,976	-	746,514
Global Free Enterprise Fund 'S' Class (Accumulation shares)	173,259,344	53,347	(27,606,302)	145,706,389
Monthly High Income Fund 'A' Class (Net Accumulation shares)	35,416,595	3,639,030	(9,847,513)	29,208,112
Monthly High Income Fund 'A' Class (Net Income shares)	169,085,546	12,711,305	(15,874,914)	165,921,937
Monthly High Income Fund 'I' Class (Net Accumulation shares)	2,468,544	479,325	(180,420)	2,767,449
Monthly High Income Fund 'I' Class (Net Income shares)	-	1,006,311	-	1,006,311
Monthly High Income Fund 'S' Class (Gross Accumulation shares)	9,121,935	3,073,561	(536,501)	11,658,995

Investec Funds Series ii

Fund Performance (unaudited)

	Year ended 31-Dec-12 %	Year ended 31-Dec-11 %	Year ended 31-Dec-10 %
American Fund			
'A' Acc	(0.76)	(13.94)	13.91
'A' Acc (GBP Hedged)	3.70	(14.48)	9.41
'A' Acc USD (3)	(0.79)	n/a	n/a
'B' Acc	(0.51)	(13.72)	14.19
'I' Acc	(0.01)	(13.34)	14.46
'S' Acc	0.75	(12.63)	15.66
IMA North America	7.50	(1.90)	17.67
S&P 500 NDR	10.16	2.23	17.97
Asia ex Japan Fund			
'A' Acc	16.53	(15.31)	31.34
'B' Acc	16.83	(15.10)	31.67
'I' Acc	17.41	(14.73)	31.99
'S' Acc (1)	18.31	(14.04)	33.22
IMA Asia Pacific Excluding Japan	16.68	(16.38)	21.40
MSCI AC Asia ex Japan NDR	16.99	(16.69)	23.38
European Fund (4)			
'A' Acc	24.50	(17.22)	14.20
'I' Acc	n/a	(16.67)	14.92
IMA Europe Excluding UK	19.00	(15.60)	8.36
MSCI Europe ex UK NDR	16.00	(14.63)	4.76
Global Energy Fund			
'A' Acc	(2.93)	(12.94)	14.97
'A' Acc USD (3)	(2.96)	n/a	n/a
'I' Acc	(2.19)	(12.28)	15.84
'S' Acc	(1.45)	(11.63)	16.77
IMA Specialist	8.22	(15.67)	18.14
MSCI AC World Energy NDR (MSCI World Energy NDR Pre 01/09/12)	(1.48)	0.91	15.40
Global Free Enterprise Fund			
'A' Acc	12.90	(8.75)	14.97
'A' Acc USD (3)	12.88	n/a	n/a
'I' Acc	13.75	(8.12)	15.62
'S' Acc	14.62	(7.36)	16.71
IMA Global	9.83	(9.45)	15.51
MSCI AC World NDR (MSCI World NR Pre 01/01/11)	11.03	(6.66)	15.28
Monthly High Income Fund			
'A' Acc Net	17.52	(5.35)	11.38
'A' Inc Net	17.53	(5.34)	11.40
'I' Acc Net	18.17	(4.69)	11.74
'I' Inc Net (2)	8.98*	n/a	n/a
'S' Acc Gross	20.80	(2.41)	13.99
IMA £ High Yield	18.18	(4.18)	10.62
Bank of America Merrill Lynch European Currency Non-Financial High Yield Constrained GBP Hedged (Merrill Lynch European Currency High Yield Constrained GBP Hedged Pre 01/06/12)	26.03	(2.72)	16.28

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.

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 action, fee levels and taxes, and in certain market conditions losses may be exaggerated.

(1) Consolidation 18 July 2011

(2) Launched 2 May 2012

(3) Launched 8 May 2012

(4) Following the approval of Shareholders at an EGM held on 7 December 2012, the European Fund was merged into the Global Franchise Fund (a sub-fund of Investec Fund Series iv) on 4 January 2013

*performance from 2 May 2012 to 31 December 2012.

Total Expense Ratio ('TER') methodology

The total expense ratio is calculated in accordance with the IMA guidance published in August 2012.

Definition of TER

The total expense ratio is the ratio of the total operating costs of each share class of each of the Funds to its average net assets.

The Total Expense Ratio (TER) represents the relevant annualised operating expenses of each Share Class for the year as a percentage of the average Net Asset Value of that share class over the same period.

$$\text{TER} = \frac{\text{Operating costs}}{\text{Average NAV}}$$

The ratio will be expressed as a percentage to 2 decimal places.

Source of operating cost:

- (a) The following list is representative of what should be included in the TER:
- (b) Total operating costs include any legitimate expenses incurred by the Fund such as:
- fund management fees;
 - investment management fees;
 - administration fees;
 - trustee or depositary fees;
 - custody fees;
 - audit fees;
 - fund accounting fees;
 - valuation fees;
 - fees for shareholder services;
 - registration fees and regulatory fees;
 - legal and advisory fees relating to fund establishment and operation;
 - performance fees (these should also be disclosed separately).
- (c) The total operating costs do not include:
- transaction costs (including transfer taxes);
 - interest on borrowing;
 - payments incurred because derivatives;
 - fees paid directly by the investors, such as entry/exit fees;
 - soft commissions.

Average NAV

The average net assets are calculated using figures that are based on the Funds net assets at each calculation point of the net asset value (NAV).

