

Investec Funds Series II Annual Report and Accounts

For the year ended 31 December 2018



Investec Funds Series ii

Report and Accounts

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

American Franchise Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide long-term capital growth by investing primarily in the shares of US companies or companies which carry out a large proportion of their business activities in the US.

The Fund focuses investment on companies deemed by the Investment Manager to be of high quality i.e. companies which have provided sustainably high levels of return on invested capital and free cash flow (a company's cash earnings after its capital expenditures have been accounted for), typically those associated with strong brands or franchises.

The Fund may invest in other assets such as cash, other funds and derivatives (financial contracts whose value is linked to the price of an underlying asset). Derivatives may be used in order to achieve the Fund's investment objectives or for efficient portfolio management purposes e.g. with the aim of either managing the Fund risks or reducing the costs of managing the Fund.

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

Performance record

12 Months (%)

Investec American Franchise Fund 'I' accumulation shares	7.92*
Performance comparison index	0.96**
Peer group sector average	-1.15**

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

Performance review

The Fund delivered a positive absolute return during the period under review and outperformed its performance comparison index and peer group sector average.

Factors helping performance

At a sector level, our positioning within technology was the primary driver of relative returns, although stock selection within financials contributed too. Our position in internet domain name and internet security firm Verisign performed well as investors responded well to the company's plans to simplify its capital structure. Additionally, quarterly results have been consistently strong and in November it rallied following the news that it had been given permission to raise prices on .com domain names. Software company Microsoft released strong results throughout last year mainly attributed to the healthy growth from its Cloud offering, Azure, and from its gaming platforms. Global payment provider Visa and Mastercard also added to performance underpinned by strong financial results. In financials, our positions in MSCI and credit rating agency S&P Global were meaningful contributors to relative returns.

Our exposure to communication services helped relative returns. Twenty-First Century Fox managed to outperform amid the volatility as the structure of its recent deal to sell assets to Disney means it naturally offered better downside protection in the recent market sell-off.

Factors hindering performance

Over the past year, big tobacco has been negatively affected by reports pertaining to weaker-than-expected uptake of their 'heat not burn' NGP offerings, while at the same time battling with competition from e-cigarette companies like JUUL, which continue to grow in popularity. More recently, the US FDA has also hinted towards a US ban on menthol cigarettes and flavoured e-cigarettes. Our holdings in British American Tobacco, Philip Morris International and Altria were worst affected. We have been trimming our exposure to tobacco and continue to monitor the situation.

Not holding certain tech stocks like Amazon and Netflix also hurt relative performance following strong performance. Amazon benefited from investor enthusiasm about the company's inroads into the high margin advertising and subscription-based consumer model, while Netflix has continued to grow its subscription base over the year. We continue to hold neither as their profiles do not meet our investment criterion.

Portfolio activity

Significant purchases

Charles Schwab, O'Reilly Automotive, Monster Beverage, Agilent Technologies, Twenty-First Century Fox; PayPal; VeriSign; Facebook; Becton Dickinson; Visa.

Significant sales

Blue Buffalo Pet Products, Verisign, Mastercard, S&P Global; Microsoft; Colgate-Palmolive; Visa; Booking; Alphabet; Medtronic.

Outlook

The heightened volatility in recent months serves as a stark reminder of where we are in the current market cycle. Equity markets are starting to look more vulnerable than they have for some time, especially when we consider the growing list of factors which are eroding investor confidence. We believe portfolio resilience is now more important than ever. The implications of a prolonged market draw down are far-reaching for companies and investors, and we continue to believe a balanced quality approach is well placed to navigate these uncertain times. Particularly in these late stages of a bull market, we maintain discipline by investing in high quality companies at reasonable valuations, which continue to compound cashflows at attractive rates over time. Nothing has changed in terms of how quality companies can provide long-term outperformance, and thus we believe the opportunities provided by quality stocks remain attractive.

*Source: Morningstar, total return, income reinvested, no initial charge, accumulation (acc) share class, net of fees in GBP.

**Index (S&P 500 NDR Index) and peer group sector average (Investment Association North America sector) shown for performance comparison purposes only.

The opinions expressed herein are as at end of December 2018.

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 and any income from it 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 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:

Concentrated portfolio: The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios.

Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

Derivatives: The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

Geographic / Sector: Investments may be primarily concentrated in specific countries, geographical regions and/or industry sectors. This may mean that the resulting value may decrease whilst portfolios more broadly invested might grow.

Share class currency hedging: Currency share class hedging aims to protect investors against a decline in the value of one or more currencies against another, but consequently investors will not benefit from increases in the value of those currencies. There can be no assurance that hedging strategies will be successful and such hedging can positively or negatively impact investors by inaccuracies in the operation of the hedge.

*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 'I' Class Accumulation shares.

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

Asia Pacific Franchise Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide long-term capital growth by investing primarily in the shares of companies in the Asia Pacific region (excluding Japan).

The Fund focuses investment on companies deemed by the Investment Manager to be of high quality i.e. companies which have provided sustainably high levels of return on invested capital and free cash flow (a company's cash earnings after its capital expenditures have been accounted for), typically those associated with strong brands or franchises.

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Performance record

12 Months (%)

Investec Asia Pacific Franchise Fund 'I' accumulation shares	-12.54*
Performance comparison index	-9.05**
Peer group sector average	-9.81**

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

Performance review

The Fund produced a negative return over the period and underperformed its performance comparison index and peer group sector average.

Factors hindering performance

At sector level, overall consumer discretionary was the biggest detractor to performance. However, it was stockpicking within consumer staples, particularly within the food beverages & tobacco subsector, that really hurt relative returns.

Within this subsector, instant noodles manufacturer Tingyi as well as Gourmet Master were big detractors. Sentiment toward China's Tingyi was soured after it announced how it faces challenges in the form of higher raw material costs and Chinese-US trade tensions. The biggest detractor, however, was Taiwan's coffee and bakery chain Gourmet Master as it disappointed with third-quarter 2018 earnings below the previous year's results. We remain invested in both firms as we believe that recent margin pressure will soon ease, which should provide a basis for further profit growth.

The Fund also experienced some significant setbacks with Korean kitchen firm Hanssem, which faced increased competition throughout the year, exasperating demand issues stemming from the lackluster Korean housing market. We no longer have a stake in Hanssem.

Factors helping performance

Favourable stock picking within financials and health care added to relative returns. At stock level, Indian bank HDFC Bank and Hindustan Unilever were good performers. In November HDFC rallied on anticipation that India's central bank may look to trim reserve ratios in an effort to spur lending.

Also in India, tobacco firm ITC rallied after reporting a 6% increase in demand for its cigarette, as well as solid double-digit growth from the fast moving consumer goods side of its operations.

Portfolio activity

Significant purchases

Tingyi Cayman Islands, ASML, NetEase ADR, Vietnam Dairy Products; Sands China; Samsung Electronic.

Significant sales

Techtronic Industries, Gourmet Master, Kone, Hanssem, Domino's Pizza Enterprises; Taiwan Semiconductor Manufacturing; Sands China; CSL; TravelSky Technology; Aristocrat Leisure.

Outlook

The concerns around equity markets in Asia in the second half of 2018 surrounding trade conflicts, rising US interest rates and lower Chinese growth expectations, resulted in a pull back in markets in Asia. Interestingly despite these bigger picture, macro concerns the results being produced by the quality companies we own in our portfolio show that there are still strong areas of structural growth, particularly within the information technology, consumer and health care sectors in Asia. The pull back in the markets has enabled us to add to positions at attractive valuations in companies that will continue to compound cashflows with lower cyclical economic risk.

*Source: Morningstar, total return, income reinvested, no initial charge, accumulation share class, net of fees in GBP.

Index (MSCI AC Asia Pacific ex Japan NDR Index and peer group sector average (Investment Association Asia Pacific ex Japan sector) shown for performance comparison purposes only.

***Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by, Investec Asset Management Limited. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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Risk and Reward profile*



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Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

Derivatives: The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Emerging market: These markets carry a higher risk of financial loss than more developed markets as they may have less developed legal, political, economic or other systems.

Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

Geographic / Sector: Investments may be primarily concentrated in specific countries, geographical regions and/or industry sectors. This may mean that the resulting value may decrease whilst portfolios more broadly invested might grow.

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Global Energy Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide long-term capital growth.

The Fund invests around the world in the shares of companies involved in the exploration, production or distribution of oil, gas and other energy sources, including renewables. The Fund may also invest in the shares of companies that service the energy industry.

The Fund may invest in other assets such as cash, other funds and 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.

Performance record

12 Months (%)

Investec Global Energy Fund 'I' accumulation shares	-12.10*
Performance comparison index	-7.88**
Peer group sector average	Not applicable**

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

Performance review

The Fund delivered a negative return over the period and underperformed its performance comparison index.

Factors hindering performance

2018 was an incredibly volatile year for oil prices. Brent crude oil started the year at US\$70 per barrel (bl) and fell to \$62/bl by February. Prices then rallied steadily until October, reaching close to \$85/bl. Prices then proceeded to fall quite quickly to end the year at \$54/bl. The turning points have been very sharp, and difficult to navigate. The period has been equally volatile for our renewable energy holdings as political influences such as the removal of key subsidies in China and the US-China trade war weighed on both the wind and solar sectors.

During this period, the Fund has underperformed, mainly due to our positioning within different sectors and the timing of these decisions. In response to the continuing underperformance of exploration & production (E&P) companies by mid-2017, we reduced this exposure and moved underweight in this sector, in favour of positions in off-benchmark renewable energy holdings, as well as integrated oil & gas and refining stocks. This move caught us out as the subsequent oil price rally to \$85/bl meant that the more oil-sensitive E&P companies rallied strongly. While our exposure to the sector did benefit the Fund, it did cause us to underperform on a relative basis. It also caused our increased weight to renewable energy companies to underperform. We did manage to partly recover in late-2018 as oil prices sold-off, but the ongoing US-China trade wars and the removal of solar subsidies in China meant that the renewables sector didn't recover its relative underperformance to the oil & gas sector quite as quickly as we had anticipated.

Our overweight allocation to oilfield services in 2018 has also contributed to relative underperformance as the sector lagged considerably against other oil price sensitive sectors – particularly during rally earlier in the year.

Factors helping performance

More positively, we continue to have positive stock selection in the integrated oil & gas sector and see green shoots of recovery in both renewable and oilfield service sectors. Certain integrated companies held up well amid the oil price woes in the final quarter, including Total, Suncor Energy, MOL Hungarian Oil & Gas and BP. We remain overweight European

integrated companies who provide strong cash flow outlooks and the potential for dividend increases. We are also confident in the strong growth and return generation of our renewables holdings and believe that differentiated service companies should be able to benefit from the increased profitability of E&P as they recover.

The largest contributor to relative performance overall was our overweight position in French LNG transport company Gaztransport & Technigaz. The company performed particularly well in the third quarter after it secured a number of key new contracts. Furthermore, it continued its rally into year-end after reporting higher order [for new business] intakes than expected, with the positive news flow helping to prop the shares up amid the December sell-off.

Portfolio activity

Significant purchases

Chevron; Phillips 66; Eni; ConocoPhillips; Royal Dutch Shell; Parex Resources; TOTAL; RPC; Select Energy Services; Tenaris; Indian Oil.

Significant sales

Chevron, Suncor Energy; Royal Dutch Shell; EOG Resources; Schlumberger; Enbridge; Exxon Mobil; Lukoil ADR; Halliburton; Canadian Natural Resources; Baker Hughes; TOTAL; TransCanada; Equinor (formerly Statoil); BP.

Outlook

While market scepticism remains on the OPEC+ (OPEC plus Russia) announced cuts, we do believe that the cartel is trying to manage prices within a certain range. We believe compliance with the announced cuts, led by Saudi Arabia, should be strong and could therefore provide a boost to prices in early 2019 as markets fall into undersupply.

2018 was a difficult year for renewable energy companies as the Chinese government removed one of the last remaining subsidies for solar companies without much notice. As we look forward to 2019, we believe things are starting to look up for solar demand and solar equities. Since the removal of the subsidy we have seen prices stabilise at lower levels, and several lower-quality manufacturers have also left the market (as they were unable to remain profitable in the lower price environment without the subsidy). This market consolidation and reduction in prices has driven new solar demand from smaller markets. This additional demand could possibly leave the market undersupplied, which would create a more positive backdrop for related equities in the year ahead.

Despite a difficult 2018, we believe the outlook is positive for both oil & gas and environmental holdings, with both sectors offering attractive investment opportunities in companies with strong earnings momentum and attractive dividends. We do, however, remain aware of the macroeconomic backdrop as an escalation of the US-China trade war and subsequent effect on global growth would impact both sectors.

This leads us to a well-diversified portfolio of companies which can generate strong returns at even lower oil prices than we are experiencing currently. In particular, we are overweight European oil majors such as Total and BP and US independent refiners such as Valero, which all offer excellent cash returns. We also retain a 17% allocation to environmental/renewable energy companies via a portfolio of 25 stocks. In our opinion these companies provide a long term structural growth opportunity which nicely complements our oil and gas names with a greater focus on cash returns.

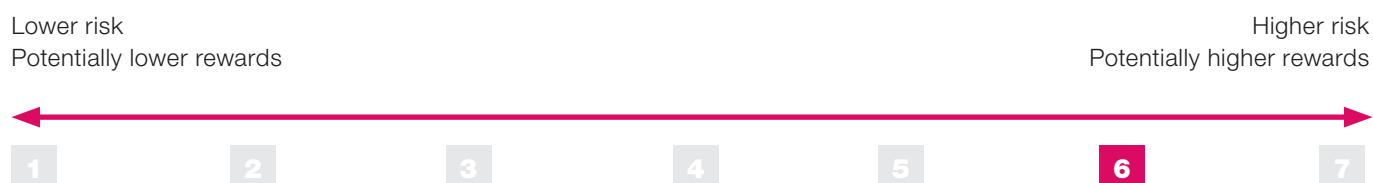
*Source: Morningstar, total return, income reinvested, no initial charge, accumulation (acc) share class, net of fees in GBP.

Index (MSCI* All Countries World Index Energy NR) shown for performance comparison purposes only. For this Fund, there is no relevant Investment Association peer group sector average against which to measure Fund performance.

***Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by, Investec Asset Management Limited. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The opinions expressed herein are as at end of December 2018.

Risk and Reward profile*



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

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

Commodity-related investment: Commodity prices can be extremely volatile and significant losses may be made.

Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income.

Derivatives: The use of derivatives is not intended to increase the overall level of risk. However, the use of derivatives may still lead to large changes in value and includes the potential for large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

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

Global Strategic Equity Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide long-term capital growth.

The Fund invests around the world primarily in the shares of companies believed to offer above average opportunities for capital gains. For example, companies that are deemed by the Investment Manager to be of high quality (demonstrating strong management and cash flows), offer good value (meaning they are undervalued within the market), and expected to benefit from increases in profit expectations and investor demand.

Opportunities may also be sought for investments in companies which are expected to see their profits benefit over time from operational and structural improvements.

The Fund may invest in other assets such as cash, other funds and 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.

Performance record

12 Months (%)

Investec Global Strategic Equity Fund 'I' accumulation shares	-8.89*
Performance comparison index	-3.78**
Peer group sector average	-5.72**

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

Performance review

The Fund delivered a negative return during the period under review and underperformed its performance comparison index and peer group sector average.

Factors hindering performance

The screening part of the 4Factor process, which steers the investment team's initial decisions, presented our process with a returns headwind as the pro-growth market evidenced over 2017 gave way to one where more defensive names were rewarded. The screen underperformed the market in each of the last three quarters of the year, the longest streak since our process's inception in 2001.

The technology sector presented the portfolio with the biggest performance challenge over the year as semiconductor equipment firm SCREEN Holdings retreated amid concerns that a potential peak in the current semiconductor industry business cycle would soon hurt sales. Business IT firm Micro Focus was another key detractor for our technology holdings, retreating after experiencing problems with integrating the newly-acquired HPE division in the early parts of the year. The portfolio no longer holds a stake in Micro Focus, but we continue to stay invested in SCREEN on a valuation basis.

In the consumer discretionary sector, the portfolio experienced a significant setback with car parts manufacturer Delphi, which retreated after significantly cutting its forward guidance target. The firm attributed this to a sharp slowdown in orders from Chinese carmakers amid the increase in trade tensions and cooling Chinese growth. We retain Delphi in the portfolio because its current valuation.

Trade tensions also weighed on returns in the industrials sector as restaurant equipment manufacturer Welbilt experienced some margin erosion owing to the recently-enacted US industrials metals tariffs. We remain invested in the firm on account of its recent organic growth momentum.

Being underweight the utilities sector detracted after investors sought the safety of historically defensive stocks amid the wider market volatility.

Factors helping performance

Being overweight the outperforming healthcare sector added to returns over the period. The contribution from healthcare was further enhanced by strong stock picking as US-listed holdings United Health, Merck and Chemed each rallied after reported very positive earnings figures.

Cloud infrastructure provider VMware was the portfolio's most significant stock-level contributor: the company delivered several very positive earnings updates underpinned by the on-going shift to cloud computing. VMware shares also benefited from efforts by Dell to simplify its holding of VMware's non-voting tracking stock in the latter parts of the year.

Portfolio activity

Significant purchases

Mitsubishi Electric; Merck; AMC Networks; Hanesbrands; Mosaic; Iberdrola; Jacobs Engineering; GVC; Dun & Bradstreet; Spotify Technology.

Significant sales

Alibaba ADR; Kweichow Moutai; Samsung Electronics; China Construction Bank; Las Vegas Sands; Anhui Conch Cement; Dun & Bradstreet; BNP Paribas; Mitsubishi Electric; Novo Nordisk.

Outlook

The turmoil of the last quarter of 2018 sets us up for an interesting new year. The sharp market decline in the closing weeks of last year has resulted in some very attractive valuations across broad parts of the global market – assuming that no earnings recession materialises in 2019.

Although earnings revisions have generally trended downwards in recent months, the prospects of an imminent recession are still considered remote at this point. In fact, profits are still expected to continue to grow in 2019, albeit at a smaller increment than anticipated only a few months ago and at a much lower rate than the US tax cut fuelled profit growth witnessed in 2018.

However in the near term, our bottom up research is inclined to tell us that earnings estimates may yet see some additional downgrades in the near term. Even if some economically sensitive segments of the market are already trading at asset based multiples generally seen during the depths of a recession, it may be too much to expect a significant market recovery while revisions maintain their downward trajectory. Therefore, we would probably need to see some positive earnings surprises for a sustained rally to materialise.

Having said this though, the nature of the shake out was indiscriminate, with companies demonstrating strong operating performance punished alongside those with less attractive prospects. This has brought us a more fertile opportunity set and we will aim to re-calibrate your portfolio to focus on names which, in our view, have been unfairly sold down. With factors such as value, revisions and technical momentum underperforming in recent months, a rally in stocks featuring these longer-term drivers of performance seems well overdue.

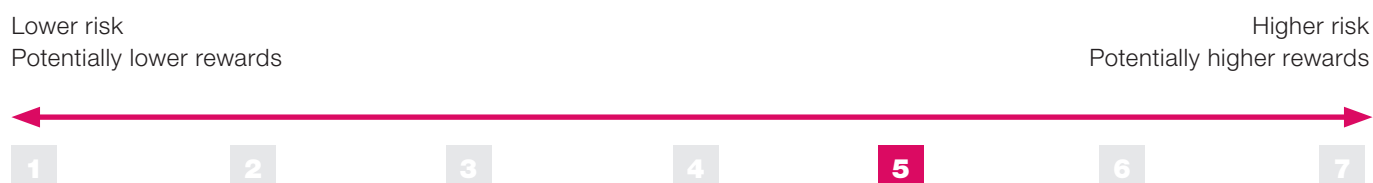
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Global Total Return Credit Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide income and long-term capital growth.

The Fund targets a positive return in excess of 3 month GBP LIBOR (an interbank lending rate) +4% gross of fees over a full credit cycle (economic conditions over which the cost of borrowing initially increases, then decreases and then stabilises. Credit cycles can vary in length and typically last between 3 and 7 years). The performance target may not be met and positive returns are not guaranteed over any period of time, including the full credit cycle, and you may get back less than you invested.

The Fund invests primarily in a diverse range of debt securities (contracts to repay borrowed money which pay interest at fixed or variable times e.g. bonds, deposits, bills and notes). These securities are issued by governments, institutions or companies from around the world including emerging markets (countries that are in economic terms less developed than the major Western countries) and may be of investment grade (high quality) or below investment grade as rated by the credit rating agencies (companies that rate the ability of the issuers of bonds to repay borrowed money).

The Fund's investments are primarily priced in GBP sterling or hedged (an investment technique which aims to protect the value of an investment against currency movements) back into GBP sterling.

The Fund may invest in other assets such as cash, derivatives (financial contracts whose value is linked to the price of an underlying asset), money market instruments (tradable securities where money can be invested for short periods) and other funds.

Derivatives may be used in order to achieve the Fund's investment objectives or for efficient portfolio management purposes e.g. with the aim of either managing the Fund risks or reducing the costs of managing the Fund.

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

Performance record	Since launch (%)
Investec Global Total Return Credit Fund 'I' accumulation shares	-1.07*
Performance comparison index	3.00**
Peer group sector average	-1.44**

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

Performance review

The Fund produced a marginally negative absolute return over the period, underperforming the performance comparison index although outperforming the peer group sector average.

Factors hindering performance

The detractors came during the fourth quarter as investment returns were positive across the sub-credit sectors in the third quarter. Our fourth-quarter exposure to high yield was the primary detractor, as credit markets sold off, with our European high yield exposure detracting, more so than US high yield, given the higher portfolio allocation in Europe. Markets were rocked by concerns which have bubbled under for most of the year, including slowing global growth, reducing liquidity and signs of moderation in company earnings growth. The negative sentiment certainly flowed through to credit markets with credit spreads widening materially in the fourth quarter.

Other factors hindering performance during the fourth quarter was our exposure to floating rate notes (bonds that have a variable coupon) and collateralised loan obligations ((CLOs) securities backed by a pool of debt). Floating Rate Notes, which provide protection in a largely rising rate environment, sold off, owing to a resetting in rate expectations. Investors have

tempered their views on the likelihood of significant further rate rises from US Federal Reserve in 2019 given the softening growth outlook. Our exposure to CLO's also detracted owing to the broader risk off sentiment seen across credit markets and the resetting of rate expectations outlined above.

Factors helping performance

The factors helping performance were largely driven by positive returns in the third quarter. The main contributors came from our allocation to European high yield, short duration high yield, floating rate notes and emerging markets credit.

High yield assets benefited from further spread contraction additionally supported by low new issuance volumes creating a positive technical demand dynamic. The floating rate notes benefited from the nature of their structure, with the floating coupon being a beneficial factor in a continued rising rate environment. In emerging markets credit, tactical positioning in high quality Turkish credit contributed to returns, as Turkey raised interest rates more than expected, which was viewed as pragmatic by the market and helped confidence which was weak.

Our exposure to US investment grade contributed positively over the entire period, with the resetting in rate expectations suppressing yields somewhat, and our exposure to the less cyclical sectors helped to further protect returns, during a volatile period for credit markets.

Portfolio activity

Significant purchases

Babson Euro CLO 2014-2 0.88% 25/11/2029; Cairn CLO X 1% 15/10/2031; Cadogan Square CLO VIII 1.6% 15/01/2030; Telecom Italia 6.375% 24/06/2019; Avoca CLO XI 0.89% 15/07/2030; Sprint Capital 6.9% 01/05/2019; Cott 5.5% 01/07/2024; Chesapeake Energy (FRN) 6.03731% 15/04/2019; Ares European CLO X 1.7% 15/10/2031; Vantiv 3.875% 15/11/2025.

Significant sales

FTS International 6.25% 01/05/2022; Ball 5% 15/03/2022; Tele2 1.125% 15/05/2024; Peabody Energy 6% 31/03/2022; NRG Energy 6.25% 15/07/2022; Kraton Polymers 5.25 15/05/2026; International Game Technology 6.25% 15/02/2022; International Game Technology 6.25% 15/02/2022; DowDuPont 3.81681% 15/11/2023; Eagle Intermediate Global 5.375% 01/05/2023.

Outlook

We believe the fundamental backdrop for credit remains positive, although investors are very focused on the near-term earnings trajectory with a significant number of companies reporting early in the first quarter. Overall, we continue to implement a selective bias, with a focus on capital preservation. Given the widening in spreads seen in the fourth quarter, valuations certainly reflect more attractive entry levels, however they do remain around average in a historic context. We believe market price behaviour will continue to be a key consideration for markets in the year ahead, with fund flows, new issuance and central bank behaviour all having a significant impact on the credit markets likely total returns. We are continuing to target attractive niches which sold off but remain selective and diversified when adding risk. Short duration high yield, structured credit and floating rate notes all continue to appeal in that they are likely to be less reactive to broader volatility. We will maintain optionality, taking advantage of increased volatility as the cycle matures. The flexibility of our approach and willingness to use it will present the opportunity to reposition the portfolio with a higher risk bias as the environment permits.

*Source: Morningstar, total return, income reinvested, no initial charge, accumulation (acc) share class, net of fees in GBP.

**ICE LIBOR 3 Month GBP +4% and peer group sector average (Investment Association £ High Yield) shown for performance comparison purposes only.

The opinions expressed herein are as at end of December 2018.

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 and any income from it 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 the mix of assets it invests in tends to fluctuate more widely.

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

Default: There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss.

Derivatives: The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Interest rate: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises.

Liquidity: There may be insufficient buyers or sellers of particular investments giving rise to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than might be anticipated.

*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 'I' Class Accumulation shares.

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

Monthly High Income Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide high income 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 Fund uses 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.

Performance record

12 Months (%)

Investec Monthly High Income Fund 'I' accumulation shares	-3.54*
Performance comparison index	-3.60**
Peer group sector average	-3.56**

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

Total deemed income distributions per 'I' accumulation share

12 months to 31 December 2018	6.99 pence
12 months to 31 December 2017	8.03 pence

The amount of income payable may rise or fall.

Performance review

The Fund delivered a negative absolute return during the period of review and broadly in line with its performance comparison index and peer group sector average.

Factors hindering performance

Certain holdings within the energy sector were among the largest detractors over the period, including companies such as EP Energy and California Resources. Despite the rally in the oil price, EP Energy's corporate bonds suffered as the company's debt levels remain high and its financial position weak. There was also an unexpected change to management. In the third quarter of 2017, the chief executive officer, along with several other senior managers, were removed from their positions following weak performance. This added to investors' concerns around the quality of its debt. With the outlook for EP Energy looking increasingly uncertain, we sold our holding. The Fund's allocation to California Resources also suffered following weaker earnings and reduced oil production. Weak financial performance has continued to undermine the quality of the company's corporate bonds and we subsequently closed the position.

US department store JC Penny was also among the top detractors. Despite good financial performance, the company continues to face higher competition from online clothes retailers, resulting in a rising number of store closures. With the company facing this long term challenge, we expected the quality of its corporate debt to deteriorate over time and as a result, we sold the position.

More broadly, underperformance was, in part, due to our preference for higher quality bonds (as determined by their credit rating) which tend to be more defensive, rising less than lower quality bonds in a positive market environment but also falling less in declining markets. 2017 was another strong year for corporate bonds and so our preference for higher quality bonds detracted from the Fund's performance.

Factors helping performance

The Fund's performance was helped over the period by our exposure to Petrobras' corporate bonds. In addition to finding support from a rising oil price and an improving Brazilian economy, the business has been focusing on reducing its level of debt and improving its cash position which is expected to run in line with increasing oil production and revenues. We continue to hold the position as we expect the company to strengthen its financial position and improve the quality of its debt.

Our allocation to software and services company Scientific Games, which provides gambling products and services, also helped performance. The business benefited as it continued to expand its customer base through acquisitions such as the NYX gaming group (completed in early 2018). We believe the company's focus on debt reduction and growing revenues will improve its financial position and support returns from the business' corporate bonds.

Portfolio activity

Significant purchases

Telecom Italia 6.375% 24/06/2019; Vine Oil & Gas 9.75% 15/04/2023; Toll Brothers 4.35% 15/02/2028; Coty 4% 15/04/2023; Nexi Capital 4.125% 01/11/2023; Thyssenkrupp 3.125% 25/10/2019; Fiat Chrysler Finance Europa 6.75% 14/10/2019; Jaguar Land Rover Automotive 4.25% 15/11/2019; Chesapeake Energy (FRN) 5.68631% 15/04/2019; Kraton Polymers 5.25% 15/05/2026.

Significant sales

Coty 4% 15/04/2023; Toll Brothers 4.35% 15/02/2028; Petrobras Global Finance 4.75% 14/01/2025; AA Bond 5.5% 31/07/2043; Hughes Satellite Systems 5.25% 01/08/2026; Hilcorp Energy 5% 01/12/2024; Alcoa Nederland 6.75% 30/09/2024; T-Mobile USA 6.5% 15/01/2026; Alpha 3 6.25% 01/02/2025; Jaguar Land Rover Automotive 3.875% 01/03/2023.

Outlook

We believe the financial environment for corporate bonds remains positive, with corporate borrowing remaining largely stable over the year, and debt affordability (the amount a firm can repay in a timely manner) still comfortable. Company earnings, in particular, are likely to continue to look good over the coming quarter. Clearly, the importance of central bank policy has been the overriding factor for a long time now, but a withdrawal of support could create uncertainty in the coming months.

From a valuation perspective, despite a long period of strength, we believe corporate bonds still have room to rise.

We believe the length of this credit cycle (the expansion and contraction of borrowing) may be extended beyond historical norms, but we know that we are fairly far down that path. Valuations are the clearest indication of that, but the emerging focus from central banks on reducing supportive monetary policy is another. As such, we remain cautiously positive on the prospects of the credit asset class for the next few months, with a focus on managing risks but also making use of interesting opportunities that may arise in the wake of any rise in volatility.

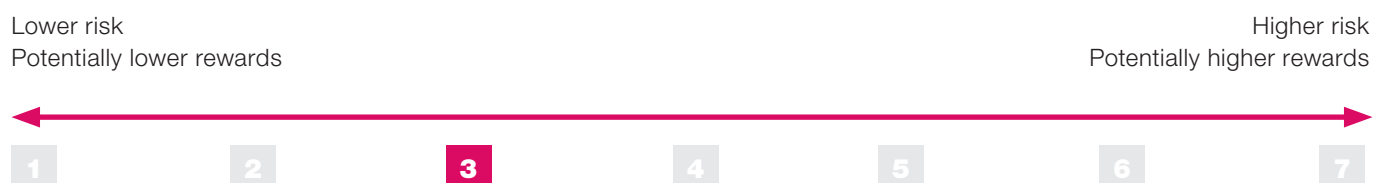
Market liquidity, through any period of sustained volatility, remains a key consideration in portfolio construction, and we may need to adjust our strategy accordingly in such market conditions.

*Source: Morningstar, total return, income reinvested, no initial charge, accumulation (acc) share class, net of fees in GBP.

**Index (BofAML Global High Yield Constrained GBP Hedged) and peer group sector average (Investment Association £ High Yield) shown for performance comparison purposes only.

The opinions expressed herein are as at end of December 2018

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 and any income from it can fall as well as rise and you are not certain of making profits; losses may be made.

The Fund appears towards the lower end 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:

Default: There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss.

Derivatives: The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss.

Government securities exposure: The Fund may invest more than 35% of its assets in securities issued or guaranteed by a permitted sovereign entity, as defined in the definitions section of the Fund's prospectus.

Interest rate: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates and/or inflation rises.

Liquidity: There may be insufficient buyers or sellers of particular investments giving rise to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than might be anticipated.

*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 'I' Class Accumulation shares.

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

American Franchise Fund

Portfolio Statement

As at 31 December 2018

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
CONSUMER GOODS 11.89% (31.12.17: 19.00%)			
BEVERAGES			
Monster Beverage	83,036	3,218	1.81
PepsiCo	35,877	3,115	1.75
		6,333	3.56
FOOD PRODUCERS			
Nestle	73,363	4,659	2.62
TOBACCO			
Altria	96,971	3,723	2.09
Philip Morris International	61,833	3,290	1.85
British American Tobacco	103,472	2,597	1.46
British American Tobacco ADR	21,425	544	0.31
		10,154	5.71
CONSUMER SERVICES 13.93% (31.12.17: 10.21%)			
GENERAL RETAILERS			
O'Reilly Automotive	17,401	4,705	2.64
MEDIA			
Twenty-First Century Fox	168,455	6,328	3.56
FactSet Research Systems	10,833	1,707	0.96
		8,035	4.52
TRAVEL & LEISURE			
Booking	6,523	8,843	4.97
Compass	195,477	3,206	1.80
		12,049	6.77
FINANCIALS 22.32% (31.12.17: 20.95%)			
FINANCIAL SERVICES			
Visa	137,813	14,268	8.02
Mastercard	49,354	7,230	4.06
S&P Global	52,410	6,968	3.91
Charles Schwab	145,368	4,699	2.64
MSCI	31,354	3,606	2.03
Moody's	26,751	2,948	1.66
		39,719	22.32
HEALTH CARE 17.20% (31.12.17: 15.83%)			
HEALTH CARE EQUIPMENT & SERVICES			
Becton Dickinson	40,185	7,022	3.95
Medtronic	97,516	6,966	3.91
Stryker	45,534	5,540	3.11
Waters	29,927	4,361	2.45
Agilent Technologies	67,296	3,508	1.97
		27,397	15.39
PHARMACEUTICALS & BIOTECHNOLOGY			
Zoetis	27,866	1,855	1.04
Johnson & Johnson	13,737	1,365	0.77
		3,220	1.81
INDUSTRIALS 3.05% (31.12.17: 2.10%)			
GENERAL INDUSTRIALS			
3M	8,730	1,304	0.73

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
INDUSTRIALS 3.05% (31.12.17: 2.10%) (continued)			
SUPPORT SERVICES			
PayPal	62,814	4,133	2.32
TECHNOLOGY 26.21% (31.12.17: 26.42%)			
SOFTWARE & COMPUTER SERVICES			
Microsoft	176,612	13,975	7.85
Alphabet	13,275	10,831	6.09
VeriSign	90,773	10,533	5.92
Intuit	33,957	5,270	2.96
Facebook	32,097	3,386	1.90
Check Point Software Technologies	32,712	2,655	1.49
		46,650	26.21
Portfolio of investments		168,358	94.60
Net other assets*		9,609	5.40
Net assets		177,967	100.00

* The net other assets figure consists predominantly of cash and bank balances plus short term cash deposits.

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

Stocks shown as ADRs represent American Depositary Receipts.

Asia Pacific Franchise Fund

Portfolio Statement

As at 31 December 2018

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
AUSTRALIA 17.17% (31.12.17: 17.71%)			
Aristocrat Leisure	494,079	5,929	4.15
Amcor	715,895	5,216	3.65
Cochlear	38,522	3,684	2.58
REA	89,045	3,593	2.52
Domino's Pizza Enterprises	147,341	3,299	2.31
CSL	27,428	2,805	1.96
		24,526	17.17
CHINA 32.01% (31.12.17: 28.58%)			
Tencent	350,400	10,995	7.70
Alibaba ADR	83,241	9,233	6.47
Kweichow Moutai	114,658	7,706	5.40
Sands China	1,424,800	4,851	3.40
NetEase ADR	24,322	4,531	3.17
TravelSky Technology	2,169,000	4,349	3.04
Tingyi Cayman Islands	3,866,000	4,044	2.83
Real Gold Mining†	1,507,000	–	–
		45,709	32.01
FINLAND 2.56% (31.12.17: 3.55%)			
Kone	98,170	3,654	2.56
HONG KONG 5.36% (31.12.17: 6.12%)			
AIA	1,177,200	7,652	5.36
INDIA 11.77% (31.12.17: 9.14%)			
ITC	2,195,387	6,935	4.86
HDFC Bank	277,520	6,606	4.63
Hindustan Unilever	159,573	3,254	2.28
		16,795	11.77
NETHERLANDS 1.99% (31.12.17: 0.00%)			
ASML	23,030	2,835	1.99
SOUTH KOREA 10.80% (31.12.17: 15.13%)			
Samsung Electronics	328,771	8,919	6.25
LG Household & Health Care	4,534	3,501	2.45
Amorepacific	20,418	3,002	2.10
		15,422	10.80
TAIWAN 5.56% (31.12.17: 7.90%)			
Taiwan Semiconductor Manufacturing	930,357	5,334	3.74
Gourmet Master	495,880	2,597	1.82
		7,931	5.56
UNITED KINGDOM 3.17% (31.12.17: 3.24%)			
Reckitt Benckiser	75,541	4,530	3.17
UNITED STATES OF AMERICA 3.30% (31.12.17: 3.20%)			
Booking	3,475	4,711	3.30
VIETNAM 3.22% (31.12.17: 3.51%)			
Vietnam Dairy Products	1,137,163	4,600	3.22
Portfolio of investments		138,365	96.91
Net other assets*		4,407	3.09
Net assets		142,772	100.00

* The net other assets figure consists predominantly of cash and bank balances plus short term cash deposits.

† Suspended security.

Unless otherwise stated the above securities are ordinary shares or common stock and admitted to official stock exchange listings. Stocks shown as ADRs represent American Depositary Receipts.

Global Energy Fund

Portfolio Statement

As at 31 December 2018

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
CANADA 5.43% (31.12.17: 18.01%)			
Parex Resources	141,768	1,312	2.76
Enerflex	82,184	741	1.56
CES Energy Solutions	288,302	528	1.11
		2,581	5.43
CHINA 3.27% (31.12.17: 1.86%)			
Xinyi Solar	1,216,200	334	0.70
LONGi Green Energy Technology	162,719	322	0.68
Wuxi Lead Intelligent Equipment	95,129	314	0.66
Xinjiang Goldwind Science & Technology	447,180	308	0.65
Shenzhen Inovance Technology	119,888	275	0.58
		1,553	3.27
DENMARK 2.93% (31.12.17: 1.13%)			
Orsted	10,937	572	1.20
Novozymes	13,192	460	0.97
Vestas Wind Systems	6,136	363	0.76
		1,395	2.93
FRANCE 13.63% (31.12.17: 8.29%)			
TOTAL	110,129	4,581	9.63
Gaztransport Et Technigaz	26,032	1,568	3.30
Schneider Electric	6,191	331	0.70
		6,480	13.63
GERMANY 0.94% (31.12.17: 0.00%)			
Infineon Technologies	28,432	445	0.94
HONG KONG 4.05% (31.12.17: 3.56%)			
CNOOC	1,289,000	1,557	3.27
China Everbright International	530,259	372	0.78
		1,929	4.05
HUNGARY 2.47% (31.12.17: 1.83%)			
MOL Hungarian Oil & Gas	137,567	1,176	2.47
INDIA 0.00% (31.12.17: 0.33%)			
IRELAND 1.34% (31.12.17: 0.32%)			
Aptiv	6,294	305	0.64
Kingspan (London listing)	5,104	171	0.36
Kingspan (Ireland listing)	4,913	164	0.34
		640	1.34
ITALY 3.83% (31.12.17: 0.00%)			
Eni	148,119	1,823	3.83
NORWAY 0.00% (31.12.17: 2.30%)			
JAPAN 0.43% (31.12.17: 0.00%)			
Nippon Ceramic	12,300	206	0.43
LUXEMBOURG 1.80% (31.12.17: 0.00%)			
Tenaris	101,013	855	1.80
PORTUGAL 3.57% (31.12.17: 2.38%)			
Galp Energia	137,687	1,701	3.57
RUSSIA 0.00% (31.12.17: 2.84%)			

Portfolio Statement continued

As at 31 December 2018

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
SPAIN 0.00% (31.12.17: 0.29%)			
SWEDEN 1.91% (31.12.17: 1.65%)			
Lundin Petroleum	46,871	907	1.91
SWITZERLAND 0.71% (31.12.17: 0.26%)			
TE Connectivity	5,752	339	0.71
TAIWAN 0.80% (31.12.17: 0.00%)			
Voltronic Power Technology	28,000	383	0.80
UNITED KINGDOM 20.26% (31.12.17: 16.59%)			
BP	871,406	4,344	9.13
Royal Dutch Shell	169,898	3,965	8.33
Hurricane Energy	1,227,769	537	1.13
Tullow Oil	299,091	535	1.12
Spirax-Sarco Engineering	4,213	262	0.55
		9,643	20.26
UNITED STATES 31.88% (31.12.17: 38.01%)			
Chevron	24,781	2,115	4.44
ConocoPhillips	42,831	2,084	4.38
Valero Energy	28,907	1,673	3.52
Phillips 66	24,926	1,669	3.51
Marathon Petroleum	29,863	1,375	2.89
Cabot Oil & Gas	50,718	917	1.93
Noble Energy	56,768	825	1.73
RPC	77,375	604	1.27
NextEra Energy	3,376	457	0.96
Select Energy Services	88,104	444	0.93
Devon Energy	23,192	411	0.86
First Solar	11,720	393	0.83
AO Smith	11,569	390	0.82
Cimarex Energy	7,742	373	0.78
SolarEdge Technologies	11,418	321	0.67
Acuity Brands	3,234	291	0.61
Halliburton	13,079	272	0.57
TPI Composites	11,091	212	0.45
Itron	5,490	204	0.43
Hannon Armstrong Sustainable Infrastructure Capital [‡]	9,361	142	0.30
		15,172	31.88
Portfolio of investments		47,228	99.25
Net other assets*		356	0.75
Net assets		47,584	100.00

* The net other assets figure consists predominantly of cash and bank balances plus short term cash deposits.

[‡] Real Estate Investment Trust (REIT).

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

Global Strategic Equity Fund

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
Portfolio Statement			
As at 31 December 2018			
AUSTRALIA 1.71% (31.12.17: 0.83%)			
Santos	1,431,505	4,329	0.86
South32	2,321,326	4,299	0.85
		8,628	1.71
AUSTRIA 1.03% (31.12.17: 1.03%)			
Raiffeisen Bank International	263,545	5,231	1.03
BRAZIL 0.75% (31.12.17: 0.59%)			
Itau Unibanco ADR	530,996	3,796	0.75
CHINA 3.34% (31.12.17: 10.13%)			
Shanghai International Airport	1,217,085	7,035	1.39
New China Life Insurance	1,736,400	5,400	1.07
Baidu ADR	35,033	4,453	0.88
		16,888	3.34
DENMARK 1.19% (31.12.17: 2.25%)			
Novo Nordisk	168,065	6,002	1.19
FINLAND 0.84% (31.12.17: 1.03%)			
UPM-Kymmene	215,296	4,269	0.84
FRANCE 2.98% (31.12.17: 3.42%)			
Teleperformance	87,941	10,923	2.16
Arkema	62,669	4,158	0.82
		15,081	2.98
HONG KONG 1.30% (31.12.17: 1.03%)			
CNOOC	5,438,000	6,569	1.30
INDIA 1.01% (31.12.17: 0.00%)			
Infosys ADR	690,288	5,113	1.01
IRELAND 0.84% (31.12.17: 1.07%)			
AIB	1,280,684	4,227	0.84
ISLE OF MAN 0.71% (31.12.17: 0.00%)			
GVC	533,729	3,568	0.71
ISRAEL 0.84% (31.12.17: 0.60%)			
Nice ADR	49,962	4,223	0.84
ITALY 1.18% (31.12.17: 1.48%)			
Poste Italiane	954,297	5,943	1.18
JAPAN 6.73% (31.12.17: 8.94%)			
Asahi	329,500	10,011	1.98
Haseko	832,000	6,834	1.35
Sompo	195,800	5,204	1.03
Komatsu	259,800	4,375	0.87
SCREEN	116,800	3,819	0.76
Sumitomo Mitsui Financial	144,600	3,755	0.74
		33,998	6.73
LUXEMBOURG 0.85% (31.12.17: 0.00%)			
Spotify Technology	48,651	4,274	0.85
MEXICO 0.55% (31.12.17: 0.72%)			
Grupo Mexico	1,722,043	2,763	0.55
MONACO 0.56% (31.12.17: 0.24%)			
Scorpio Tankers	1,961,860	2,825	0.56
NETHERLANDS 1.27% (31.12.17: 2.11%)			
NN	205,442	6,403	1.27

Portfolio Statement continued

As at 31 December 2018

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
PUERTO RICO 1.53% (31.12.17: 0.99%)			
Popular	209,246	7,724	1.53
RUSSIA 1.65% (31.12.17: 1.52%)			
MMC Norilsk Nickel ADR	340,854	4,913	0.97
Polymetal International	418,636	3,455	0.68
		8,368	1.65
SINGAPORE 0.00% (31.12.17: 1.87%)			
SOUTH KOREA 0.00% (31.12.17: 2.51%)			
SPAIN 4.06% (31.12.17: 2.97%)			
Repsol	740,759	9,427	1.86
Iberdrola	1,020,330	6,424	1.27
Bankia	1,934,369	4,448	0.88
Repsol Rights Issue 14/01/2019	740,759	269	0.05
		20,568	4.06
SWITZERLAND 1.15% (31.12.17: 1.37%)			
ABB	390,369	5,808	1.15
TURKEY 0.41% (31.12.17: 0.56%)			
Emlak Konut Gayrimenkul Yatirim†	9,373,013	2,068	0.41
UNITED KINGDOM 4.58% (31.12.17: 6.17%)			
Unilever	260,171	10,722	2.12
Nomad Foods	450,511	5,888	1.16
Meggitt	1,049,203	4,921	0.97
Delphi Technologies	147,067	1,648	0.33
		23,179	4.58
UNITED STATES 56.85% (31.12.17: 45.47%)			
Amazon.com	15,314	18,014	3.56
Alphabet	18,222	15,131	2.99
UnitedHealth	64,180	12,379	2.45
PayPal	182,809	12,028	2.38
Citigroup	284,164	11,562	2.29
Merck	189,892	11,364	2.25
VMware	81,725	8,774	1.73
Shire	224,632	9,996	1.98
Booking	6,674	9,048	1.79
Delta Air Lines	216,793	8,665	1.71
Chemed	35,887	7,909	1.56
Ally Financial	426,801	7,542	1.49
Zimmer Biomet	93,015	7,504	1.48
Cars.com	438,224	7,378	1.46
CME	49,273	7,221	1.43
Thermo Fisher Scientific	41,065	7,219	1.43
Johnson & Johnson	71,250	7,081	1.40
Bank of America	369,618	7,075	1.40
Mosaic	293,723	6,697	1.32
Lincoln National	166,713	6,690	1.32
Extended Stay America	538,722	6,603	1.31
AMC Networks	150,599	6,493	1.28
Worldpay	104,861	6,339	1.25
Broadcom	31,757	6,281	1.24
CBS	172,255	5,891	1.17
Wyndham Destinations	195,523	5,546	1.10
ON Semiconductor	415,074	5,305	1.05
Comcast	191,401	5,121	1.01
Morgan Stanley	152,856	4,752	0.94
Tyson Foods	113,866	4,685	0.93
Jacobs Engineering	101,241	4,609	0.91
Valero Energy	76,256	4,414	0.87
Lam Research	40,550	4,334	0.86
Perspecta	331,108	4,235	0.84
DXC Technology	97,757	4,095	0.81
Hanesbrands	417,197	4,012	0.79
Alexion Pharmaceuticals	50,751	3,905	0.77

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
UNITED STATES 56.85% (31.12.17: 45.47%) (continued)			
Resideo Technologies	214,217	3,365	0.67
Welbilt	358,492	3,160	0.62
Hess	85,969	2,746	0.54
Wyndham Hotels & Resorts	67,209	2,372	0.47
		287,540	56.85
Portfolio of investments		495,056	97.91
Net other assets*		10,583	2.09
Net assets		505,639	100.00

* The net other assets figure consists predominantly of cash and bank balances plus short term cash deposits.

‡ Real Estate Investment Trust (REIT).

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

Stocks shown as ADRs represent American Depositary Receipts.

Global Total Return Credit Fund

Portfolio Statement

As at 31 December 2018

COLLATERALISED LOAN OBLIGATION 18.87% (31.12.17: N/A)

Babson Euro CLO 2014-2 0.88% 25/11/2029	EUR 2,100,000	1,871	2.11
Cairn CLO X 1% 15/10/2031	EUR 1,950,000	1,746	1.97
Cadogan Square CLO VIII 1.6% 15/01/2030	EUR 1,950,000	1,737	1.96
Avoca CLO XI 0.89% 15/07/2030	EUR 1,800,000	1,592	1.80
Ares European CLO X 1.7% 15/10/2031	EUR 1,350,000	1,204	1.36
CVC Cordatus Loan Fund XI 1.7% 15/10/2031	EUR 1,200,000	1,072	1.21
Aqueduct European CLO 2-2017 1.2% 15/10/2030	EUR 1,200,000	1,051	1.19
Barings Euro CLO 2017-1 0.9% 15/10/2030	EUR 1,100,000	979	1.11
Cadogan Square CLO X 0.74% 25/10/2030	EUR 1,100,000	975	1.10
Annisa CLO 2016-2 3.54963% 20/07/2031	USD 1,250,000	958	1.08
KKR CLO 17 4.08631% 15/04/2029	USD 1,250,000	943	1.06
Golub Capital Partners CLO 22B 3.969% 20/01/2031	USD 1,250,000	922	1.04
Neuberger Berman Loan Advisers CLO 29 3.56579% 19/10/2031	USD 1,166,667	895	1.01
Shackleton 2017-X CLO 4.119% 20/04/2029	USD 1,000,000	774	0.87
		16,719	18.87

CORPORATE BONDS 68.74% (31.12.17: N/A)

Telecom Italia 6.375% 24/06/2019	GBP 1,650,000	1,677	1.89
Sprint Capital 6.9% 01/05/2019	USD 1,715,000	1,352	1.53
Chesapeake Energy (FRN) 6.03731% 15/04/2019	USD 1,600,000	1,247	1.41
Cott 5.5% 01/07/2024	EUR 1,330,000	1,231	1.39
Vantiv 3.875% 15/11/2025	GBP 1,140,000	1,067	1.20
Jaguar Land Rover Automotive 4.25% 15/11/2019	USD 1,350,000	1,043	1.18
Virgin Media Secured Finance 5.125% 15/01/2025	GBP 1,000,000	989	1.12
Tenet Healthcare 6% 01/10/2020	USD 1,250,000	988	1.11
GLP Capital 4.875% 01/11/2020	USD 1,180,000	929	1.05
thyssenkrupp 3.125% 25/10/2019	EUR 1,000,000	906	1.02
InterContinental Hotels 2.125% 24/08/2026	GBP 950,000	883	1.00
Intertrust 3.375% 15/11/2025	EUR 1,000,000	882	1.00
Hughes Satellite Systems 6.5% 15/06/2019	USD 1,100,000	870	0.98
Comcast 3.95% 15/10/2025	USD 1,100,000	868	0.98
Merlin Properties Socimi 1.75% 26/05/2025	EUR 1,000,000	866	0.98
Valeant Pharmaceuticals International 6.5% 15/03/2022	USD 1,100,000	866	0.98
INEOS 5.375% 01/08/2024	EUR 980,000	859	0.97
Nielsen Finance 5% 15/04/2022	USD 1,140,000	857	0.97
JP Morgan (FRN) 3.71738% 24/10/2023	USD 1,100,000	856	0.97
Goldman Sachs (FRN) 0.31% 26/09/2023	EUR 1,000,000	855	0.96
Fiat Chrysler Finance Europe 6.75% 14/10/2019	EUR 900,000	845	0.95
Equinix 2.875% 15/03/2024	EUR 940,000	839	0.95
Lennar 2.95% 29/11/2020	USD 1,090,000	827	0.93
Teva Pharmaceutical Finance Netherlands II 0.375% 25/07/2020	EUR 936,000	817	0.92
Omnicom 3.625% 01/05/2022	USD 1,000,000	772	0.87
Verizon Communications (FRN) 3.71613% 15/05/2025	USD 1,000,000	752	0.85
AT&T (FRN) 3.95594% 12/06/2024	USD 975,000	742	0.84
Arqiva Broadcast Finance 6.75% 30/09/2023	GBP 732,000	733	0.83
Aroundtown 1.5% 03/05/2022	EUR 800,000	722	0.81
CeramTec BondCo 5.25% 15/12/2025	EUR 830,000	708	0.80
Wells Fargo Bank 3.325% 23/07/2021	USD 900,000	703	0.79
Blitz F18-674 6% 30/07/2026	EUR 823,000	696	0.79
ABN AMRO Bank 2.875% 30/06/2025	EUR 750,000	691	0.78
LYB International Finance II 1.875% 02/03/2022	EUR 750,000	689	0.78
ING Bank 5% 09/06/2021	USD 830,000	674	0.76
FCE Bank 2.759% 13/11/2019	GBP 670,000	672	0.76
Türk Telekomunikasyon 3.75% 19/06/2019	USD 830,000	641	0.72
Antero Resources 5.375% 01/11/2021	USD 820,000	623	0.70
Verisure 3.5% 15/05/2023	EUR 706,000	621	0.70
Barclays 2.625% 11/11/2025	EUR 700,000	619	0.70
Credit Agricole (FRN) 3.50738% 24/04/2023	USD 800,000	617	0.70
Svenska Handelsbanken 2.45% 30/03/2021	USD 800,000	613	0.69
Deutsche Telekom International Finance 2.485% 19/09/2023	USD 800,000	590	0.67
Dell International 6.02% 15/06/2026	USD 750,000	589	0.66

CORPORATE BONDS 68.74% (31.12.17: N/A) (continued)

BPCE (FRN) 3.89694% 22/05/2022	USD 750,000	587	0.66
Catalent Pharma Solutions 4.75% 15/12/2024	EUR 650,000	583	0.66
Huntsman International 4.875% 15/11/2020	USD 740,000	581	0.66
Abbott Ireland Financing 0.875% 27/09/2023	EUR 629,000	563	0.64
IQVIA 3.5% 15/10/2024	EUR 620,000	559	0.63
Macquarie 4.15% 27/03/2024	USD 700,000	546	0.62
Reynolds Group Issuer 5.75% 15/10/2020	USD 700,000	546	0.62
Spectrum Brands 4% 01/10/2026	EUR 640,000	538	0.61
Hughes Satellite Systems 7.625% 15/06/2021	USD 660,000	536	0.60
HSBC (FRN) 3.64% 18/05/2024	USD 700,000	534	0.60
Santander UK 2.125% 03/11/2020	USD 700,000	532	0.60
Royal Bank of Scotland (FRN) 4.08613% 15/05/2023	USD 700,000	530	0.60
Broadridge Financial Solutions 3.95% 01/09/2020	USD 670,000	530	0.60
Danske Bank (FRN) 3.83594% 12/09/2023	USD 700,000	524	0.59
Bank of America (FRN) 0.383% 25/04/2024	EUR 600,000	522	0.59
Vodafone (FRN) 3.76894% 16/01/2024	USD 683,000	520	0.59
BAT Capital 2.764% 15/08/2022	USD 700,000	517	0.58
Lloyds Banking (FRN) 0.471% 21/06/2024	EUR 600,000	511	0.58
Morgan Stanley (FRN) 3.88738% 24/10/2023	USD 650,000	507	0.57
Wells Fargo (FRN) 3.75663% 31/10/2023	USD 650,000	505	0.57
Aker BP 5.875% 31/03/2025	USD 640,000	500	0.56
PulteGroup 4.25% 01/03/2021	USD 640,000	498	0.56
BAT Capital 2.297% 14/08/2020	USD 640,000	489	0.55
CenturyLink 6.45% 15/06/2021	USD 590,000	458	0.52
ABN AMRO Bank 5.75% Perpetual	EUR 500,000	457	0.52
VEREIT Operating Partnership 3% 06/02/2019	USD 580,000	454	0.51
TeamSystem (FRN) 4% 15/04/2023	EUR 510,000	453	0.51
Spectrum Brands 7.75% 15/01/2022	USD 550,000	438	0.49
Alpha 2 8.75% 01/06/2023	USD 550,000	411	0.46
ARD Finance 6.625% 15/09/2023	EUR 480,000	410	0.46
APX 7.875% 01/12/2022	USD 548,000	404	0.46
AMC Entertainment 6.375% 15/11/2024	GBP 430,000	400	0.45
KB Home 7% 15/12/2021	USD 500,000	399	0.45
Constellation Brands 3.875% 15/11/2019	USD 500,000	393	0.44
DR Horton 3.75% 01/03/2019	USD 500,000	391	0.44
Credit Suisse Group Funding Guernsey 2.75% 26/03/2020	USD 500,000	388	0.44
Iron Mountain 4.375% 01/06/2021	USD 500,000	388	0.44
Cooperatieve Rabobank 2.5% 26/05/2026	EUR 400,000	371	0.42
KB Home 8% 15/03/2020	USD 450,000	364	0.41
CCO 5.25% 15/03/2021	USD 460,000	360	0.41
MPT Operating Partnership 3.325% 24/03/2025	EUR 400,000	357	0.40
Guala Closures (FRN) 3.5% 15/04/2024	EUR 401,000	355	0.40
Skandinaviska Enskilda Banken 2.5% 28/05/2026	EUR 350,000	324	0.37
Vine Oil & Gas 9.75% 15/04/2023	USD 500,000	315	0.36
Royal Bank of Scotland 3.625% 25/03/2024	EUR 350,000	314	0.35
KBC 4.25% Perpetual	EUR 400,000	304	0.34
Nationwide Building Society 6.875% Perpetual	GBP 300,000	302	0.34
William Hill 4.25% 05/06/2020	GBP 300,000	298	0.34
Altice France 5.625% 15/05/2024	EUR 300,000	270	0.30
KBC 5.625% Perpetual	EUR 300,000	268	0.30
Dell 5.875% 15/06/2019	USD 300,000	236	0.27
DKT Finance 7% 17/06/2023	EUR 240,000	227	0.26
United (FRN) 4.375% 01/07/2023	EUR 250,000	222	0.25
MPT Operating Partnership 5.5% 01/05/2024	USD 280,000	218	0.25
Citibank 3.4% 23/07/2021	USD 250,000	196	0.22
Nabors Industries 5% 15/09/2020	USD 250,000	188	0.21
CPUK Finance 4.875% 28/02/2047	GBP 200,000	187	0.21
Qatar Reinsurance 4.95% Perpetual	USD 200,000	149	0.17
Brookfield Residential Properties 6.5% 15/12/2020	USD 100,000	78	0.09

60,891**68.74**

Portfolio Statement continued

As at 31 December 2018

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)		
DERIVATIVES – CREDIT DEFAULT SWAPS 0.07% (31.12.17: N/A)					
JP Morgan – iTraxx Europe Crossover 500 BPS 20/12/2023	990,000	52	0.06		
JP Morgan – CDX NA HY 500 BPS 20/12/2023	1,140,000	13	0.01		
		65	0.07		
DERIVATIVES – TOTAL RETURN SWAPS (0.03%) (31.12.17: N/A)					
JP Morgan Total Return Swap pay 1% 20/12/2019	(1,494,401)	(19)	(0.03)		
FORWARD CURRENCY CONTRACTS (0.31%) (31.12.17: N/A)					
Euro					
Buy EUR	2,900,000	for GBP	(2,610,127)	(7)	(0.01)
Sell EUR	(40,675,782)	for GBP	36,252,806	(261)	(0.29)
US Dollar					
Buy USD	4,600,000	for GBP	(3,614,542)	(17)	(0.02)
Sell USD	(53,403,636)	for GBP	41,780,847	11	0.01
			(274)	(0.31)	
Portfolio of investments^			77,382		87.34
Net other assets*			11,213		12.66
Net assets			88,595		100.00

The Fund launched on 11 May 2018, therefore no comparatives are available.

[^] Including derivative liabilities.

^{*} The net other assets figure consists predominantly of cash and bank balances plus short term cash deposits.

Fixed interest securities are traded on a regulated market, unless otherwise stated. Stocks shown as FRNs represent Floating Rate Notes - debt instruments that pay a floating rate of interest, usually based on an accepted market benchmark rate such as LIBOR.

The credit default swaps, total return swaps and forward foreign exchange contracts are not listed.

Portfolio Analysis

As at 31 December 2018

Portfolio Analysis

	31.12.18	
	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
ASSET		
Bonds	77,610	87.61
Derivatives	46	0.04
Forward Foreign Exchange Contracts	(274)	(0.31)
Net other assets	11,213	12.66
Net assets	88,595	100.00

Credit Breakdown*

	31.12.18	
	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
ASSET		
AAA	9,016	10.18
AA	9,019	10.17
A	8,459	9.55
BBB	15,205	17.17
BB	20,568	23.21
B	12,803	14.46
CCC	2,540	2.87
Total Bonds	77,610	87.61

*Bond ratings are Investec approximations.

Monthly High Income Fund

Portfolio Statement

As at 31 December 2018

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
BONDS 81.81% (31.12.17: 94.29%)			
CORPORATE BONDS – MATURITY 0 TO 5 YEARS 40.97% (31.12.17: 9.55%)			
Telecom Italia 6.375% 24/06/2019	GBP 2,750,000	2,796	2.77
thyssenkrupp 3.125% 25/10/2019	EUR 1,800,000	1,630	1.61
Chesapeake Energy (FRN) 5.68631% 15/04/2019	USD 2,060,000	1,605	1.59
Fiat Chrysler Finance Europa 6.75% 14/10/2019	EUR 1,600,000	1,503	1.49
Jaguar Land Rover Automotive 4.25% 15/11/2019	USD 1,900,000	1,468	1.45
International Game Technology 4.75% 15/02/2023	EUR 1,475,000	1,404	1.39
Tenet Healthcare 6% 01/10/2020	USD 1,710,000	1,352	1.34
GLP Capital 4.875% 01/11/2020	USD 1,500,000	1,181	1.17
Nielsen Finance 5% 15/04/2022	USD 1,530,000	1,150	1.14
Elis 1.875% 15/02/2023	EUR 1,300,000	1,136	1.12
Continental Resources 5% 15/09/2022	USD 1,400,000	1,086	1.07
Sprint Capital 6.9% 01/05/2019	USD 1,370,000	1,080	1.07
CCO 5.125% 01/05/2023	USD 1,417,000	1,073	1.06
Bruin E&P Partners 8.875% 01/08/2023	USD 1,543,000	1,075	1.06
HCA 4.25% 15/10/2019	USD 1,301,000	1,016	1.01
CSC 5.125% 15/12/2021	USD 1,300,000	993	0.98
Hughes Satellite Systems 6.5% 15/06/2019	USD 1,250,000	989	0.98
Schaeffler Finance 3.5% 15/05/2022	EUR 1,085,000	976	0.97
KB Home 8% 15/03/2020	USD 1,200,000	972	0.96
Teva Pharmaceutical Finance Netherlands II 0.375% 25/07/2020	EUR 1,110,000	969	0.96
Antero Resources 5.375% 01/11/2021	USD 1,250,000	950	0.94
Arqiva Broadcast Finance 6.75% 30/09/2023	GBP 943,000	944	0.93
Nabors Industries 5% 15/09/2020	USD 1,250,000	941	0.93
Merlin Entertainments 2.75% 15/03/2022	EUR 1,000,000	907	0.90
ARD Finance 6.625% 15/09/2023	EUR 1,040,000	888	0.88
Algeco Global Finance 6.5% 15/02/2023	EUR 1,000,000	876	0.87
FTS International 6.25% 01/05/2022	USD 1,240,000	862	0.85
Pacific Drilling 8.375% 01/10/2023	USD 1,150,000	855	0.85
Cablevision Systems 8% 15/04/2020	USD 1,000,000	802	0.79
Brookfield Residential Properties 6.5% 15/12/2020	USD 1,000,000	782	0.77
Vine Oil & Gas 9.75% 15/04/2023	USD 1,200,000	755	0.75
Verisure Midholding 5.75% 01/12/2023	EUR 780,000	673	0.67
Schaeffler Finance 2.5% 15/05/2020	EUR 747,000	670	0.66
Scientific Games International 10% 01/12/2022	USD 810,000	637	0.63
Verisure 3.5% 15/05/2023	EUR 706,000	621	0.61
APX 7.875% 01/12/2022	USD 808,000	596	0.59
Nexi Capital 4.125% 01/11/2023	EUR 600,000	532	0.53
Eagle Intermediate Global 5.375% 01/05/2023	EUR 603,000	495	0.49
Alpha 2 8.75% 01/06/2023	USD 635,556	475	0.47
Bausch Health 6.5% 15/03/2022	USD 600,000	472	0.47
Spectrum Brands 7.75% 15/01/2022	USD 550,000	438	0.43
DKT Finance 7% 17/06/2023	EUR 400,000	378	0.37
DR Horton 3.75% 01/03/2019	USD 180,000	141	0.14
VEREIT Operating Partnership 3% 06/02/2019	USD 180,000	141	0.14
Reynolds Group Issuer 5.75% 15/10/2020	USD 150,000	117	0.12
		41,402	40.97
CORPORATE BONDS – MATURITY 5 TO 15 YEARS 38.75% (31.12.17: 79.70%)			
Catalent Pharma Solutions 4.75% 15/12/2024	EUR 1,560,000	1,398	1.38
MPT Operating Partnership 3.325% 24/03/2025	EUR 1,430,000	1,277	1.26
Dell International 6.02% 15/06/2026	USD 1,600,000	1,256	1.24
BWAY 4.75% 15/04/2024	EUR 1,384,000	1,214	1.20
INEOS 5.375% 01/08/2024	EUR 1,350,000	1,184	1.17
CTC BondCo 5.25% 15/12/2025	EUR 1,370,000	1,169	1.16
Equinix 2.875% 15/03/2024	EUR 1,309,000	1,168	1.15
Iron Mountain US 5.375% 01/06/2026	USD 1,595,000	1,130	1.12

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
CORPORATE BONDS – MATURITY 5 TO 15 YEARS 38.75% (31.12.17: 79.70%) (continued)			
Transocean Guardian 5.875% 15/01/2024	USD 1,478,000	1,114	1.10
RESIDOMO 3.375% 15/10/2024	EUR 1,243,000	1,081	1.07
Blitz F18-674 6% 30/07/2026	EUR 1,269,000	1,074	1.06
United States Steel 6.875% 15/08/2025	USD 1,500,000	1,073	1.06
Aker BP 5.875% 31/03/2025	USD 1,372,000	1,072	1.06
Spectrum Brands 4% 01/10/2026	EUR 1,250,000	1,051	1.04
Open Text 5.875% 01/06/2026	USD 1,350,000	1,048	1.04
Energizer Gamma Acquisition 4.625% 15/07/2026	EUR 1,225,000	1,024	1.01
Cott 5.5% 01/07/2024	EUR 1,100,000	1,018	1.01
Virgin Media Secured Finance 5.125% 15/01/2025	GBP 1,010,000	999	0.99
Levi Strauss 3.375% 15/03/2027	EUR 1,100,000	979	0.97
Alcoa Nederland 6.125% 15/05/2028	USD 1,225,000	977	0.97
Intertrust 3.375% 15/11/2025	EUR 1,069,000	943	0.93
Vantiv 3.875% 15/11/2025	GBP 980,000	917	0.91
Antero Midstream Partners 5.375% 15/09/2024	USD 1,215,000	886	0.88
Constellium 6.625% 01/03/2025	USD 1,170,000	851	0.84
Kraton Polymers 5.25% 15/05/2026	EUR 1,060,000	851	0.84
Darling Global Finance 3.625% 15/05/2026	EUR 949,000	841	0.83
HCA 5% 15/03/2024	USD 1,040,000	800	0.79
United 4.875% 01/07/2024	EUR 900,000	792	0.78
Quintiles 3.5% 15/10/2024	EUR 850,000	766	0.76
CPUK Finance 4.875% 28/08/2025	GBP 810,000	759	0.75
Bausch Health 5.5% 01/11/2025	USD 1,000,000	732	0.72
Hercule Debtco 6.75% 30/06/2024	EUR 800,000	636	0.63
Belden 4.125% 15/10/2026	EUR 700,000	613	0.61
Paprec 4% 31/03/2025	EUR 799,000	605	0.60
Belden 2.875% 15/09/2025	EUR 640,000	535	0.53
Virgin Media Secured Finance 5% 15/04/2027	GBP 560,000	528	0.52
Starfruit Finco 6.5% 01/10/2026	EUR 633,000	522	0.52
AMC Entertainment 6.375% 15/11/2024	GBP 555,000	516	0.51
IQVIA 2.875% 15/09/2025	EUR 600,000	509	0.50
WMG Acquisition 4.125% 01/11/2024	EUR 522,000	481	0.48
InterXion 4.75% 15/06/2025	EUR 495,000	455	0.45
Altice France 7.375% 01/05/2026	USD 640,000	454	0.45
Altice France 5.625% 15/05/2024	EUR 500,000	450	0.44
Barclays 2.625% 11/11/2025	EUR 500,000	442	0.44
Guala Closures (FRN) 3.5% 15/04/2024	EUR 458,000	405	0.40
Ziggo 3.75% 15/01/2025	EUR 350,000	311	0.31
Altice Financing 7.5% 15/05/2026	USD 380,000	270	0.27
		39,176	38.75
CORPORATE BONDS – MATURITY 15+ YEARS 2.09% (31.12.17: 5.04%)			
Lloyds Banking 7% Perpetual	GBP 700,000	698	0.69
ABN AMRO Bank 5.75% Perpetual	EUR 500,000	457	0.45
KBC 5.625% Perpetual	EUR 400,000	357	0.35
KBC 4.25% Perpetual	EUR 400,000	304	0.30
Nationwide Building Society 6.875% Perpetual	GBP 300,000	302	0.30
		2,118	2.09
DERIVATIVES – FUTURES 0.00% (31.12.17: 0.00%)			
Germany Euro-BOBL Futures 19/03/2019	(10)	(4)	–
DERIVATIVES – CREDIT DEFAULT SWAPS 0.04% (31.12.17: 0.28%)			
JP Morgan – CDX NA HY 500 BPS 20/12/2023	3,230,000	38	0.04
DERIVATIVES – CREDIT DEFAULT SWAPTIONS (0.02%) (31.12.17: 0.02%)			
Goldman Sachs – CDX NA HY Series 31 500 BPS 20/12/2023 (Strike Price USD105) ~	6,200,000	–	–
Goldman Sachs – CDX NA HY Series 31 500 BPS 20/12/2023 (Strike Price USD99)	(6,200,000)	(16)	(0.02)
		(16)	(0.02)
DERIVATIVES – TOTAL RETURN SWAPS (0.05%) (31.12.17: 0.00%)			
JP Morgan Total Return Swap Pay 1% 20/12/2019	(3,785,816)	(50)	(0.05)

Portfolio Statement continued

As at 31 December 2018

ASSET			HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
FORWARD CURRENCY CONTRACTS (0.29%) (31.12.17: (0.23%))					
Euro					
Buy EUR	4,920,036	for GBP	(4,421,676)	(5)	–
Sell EUR	(48,303,375)	for GBP	43,060,746	(299)	(0.30)
US Dollar					
Buy USD	6,296,000	for GBP	(4,918,106)	6	0.01
Sell USD	(53,245,210)	for GBP	41,647,037	1	–
				(297)	(0.29)
Portfolio of investments^				82,367	81.49
Net other assets*				18,706	18.51
Net assets				101,073	100.00

^ Including derivative liabilities.

* The net other assets figure consists predominantly of cash and bank balances plus short term cash deposits.

Fixed interest securities are traded on a regulated market, unless otherwise stated. Stocks shown as FRNs represent Floating Rate Notes – debt instruments that pay a floating rate of interest, usually based on an accepted market benchmark rate such as LIBOR.

The credit default swaps, credit swaptions, total return swaps and the forward foreign exchange contracts are not listed.

~ The market value of the holding is below £500 and is therefore rounded down to £0.

Portfolio Analysis

As at 31 December 2018

Portfolio Analysis

ASSET	31.12.18		31.12.17	
	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
Bonds	82,696	81.81	103,563	94.29
Derivatives	(32)	(0.03)	330	0.30
Forward Foreign Exchange Contracts	(297)	(0.29)	(257)	(0.23)
Net other assets	18,706	18.51	6,197	5.64
Net assets	101,073	100.00	109,833	100.00

Credit Breakdown*

ASSET	31.12.18		31.12.17	
	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
BBB	5,451	5.39	2,339	2.13
BB	40,517	40.09	49,628	45.18
B	30,421	30.08	42,285	38.51
CCC	6,307	6.25	9,311	8.47
Total Bonds	82,696	81.81	103,563	94.29

*Bond ratings are Investec approximations.

Authorised Corporate Director's Report

The Authorised Corporate Director (the "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 Conduct Authority ("FCA") with effect from 7 September 2001.

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 FCA. The Company currently comprises six Funds.

The Company (and therefore the Funds) has been certified by the FCA 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 policy applicable to that Fund. Investment of the assets of each of the Funds must comply with the FCA's Collective Investment Scheme Sourcebook ("COLL") 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.

Under English law, the Funds are segregated portfolios of assets and the assets of a Fund 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.

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 2018 to 31 December 2018

Changes during the accounting period

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

Changes made following required notice:

On 31 July 2018 of:

- the change of name of the Asia ex Japan Fund to the "Asia Pacific Franchise Fund" to clarify the fund's geographical focus as being the Asia Pacific region excluding Japan and corresponding changes to the investment objective and policy to reflect this and clarify the fund's focus on equities deemed to be of a high quality, which are typically associated with strong brands or franchises;

- the change of name of the American Fund to the “American Franchise Fund” to clarify the fund’s focus on equities deemed to be of a high quality, which are typically associated with strong brands or franchises, and corresponding changes to the fund’s investment policy; and
- the ability of the ACD to compulsorily convert all as well as some shareholders in a share class to another share class where it is in their interests and the rights attaching to said share class are the same.

Other changes made:

The Prospectus was updated on 6 April 2018 to include changes required in respect of the Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (Benchmarks Regulation).

The Prospectus was updated on 11 May 2018 to reflect the launch of the Global Total Return Credit Fund.

The Prospectus was updated on 31 May 2018 to reflect:

- the correction of the reference portfolio for the Monthly High Income Fund in the global expected level of leverage table from “ML European Currency High Yield Constrained Index GBP Hedged” to “ML Global High Yield Constrained GBP Hedged” and the reduction of the fund’s global expected level of leverage created through derivative usage from 170% to 134%; and
- changes required in respect of the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR).

The Prospectus was updated on 7 December 2018 to reflect:

- the addition of the All China Equity Fund, which is due to launch on or before 30 April 2019 or at such later date as the ACD determines;
- the appointment of Investec Asset Management Hong Kong as a sub-investment manager to the All China Equity Fund (once launched) and the Global Strategic Equity Fund; and
- the addition of CIBM - Bond Connect to the list of eligible securities markets.

K. McFarland
Director of the ACD

D. Aird
Director of the ACD

12 March 2019

Statement of Authorised Corporate Director's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ('the COLL Rules') require the Authorised Corporate Director ('ACD') to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Company and of the net income and net gains or losses on the property of the Company for the period.

In preparing the financial statements the ACD is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, the Prospectus and the COLL Rules.

Statement of Depositary's Responsibilities and Report to Shareholders

Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Shareholders of the Investec Funds Series ii ICVC ('the Company') for the year ended 31 December 2018.

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager 'the AFM' which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and Scheme documents in relation to the investment and borrowing powers applicable to 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 AFM:

- (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 Regulations and the Scheme documents of the Company, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

State Street Trustees Limited

12 March 2019

Independent Auditor's Report

Independent auditor's report to the shareholders of Investec Series ii ('the Company')

Opinion

We have audited the financial statements of the Company for the year ended 31 December 2018 which comprise the *Statements of Total Return, the Statements of Changes in Net Assets Attributable to Shareholders, the Balance Sheets, the Related Notes and Distribution Tables* for each of the Company's sub-funds listed on page 1 and the accounting policies set out on pages 56 to 67.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the financial position of each of the sub-funds as at 31 December 2018 and of the net revenue/net expense and the net capital gains/net capital losses on the property of each of the sub-funds 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Authorised Corporate Director has prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or its sub-funds or to cease their operations, and as they have concluded that the Company and its sub-funds' financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Authorised Corporate Director's conclusions, we considered the inherent risks to the company's and its sub-funds' business model, including the impact of Brexit, and analysed how those risks might affect the company's and its sub-funds' financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company or its sub-funds will continue in operation.

Other information

The Authorised Corporate Director is responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in the Authorised Corporate Director's Report is consistent with the financial statements.

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.

Authorised Corporate Director's responsibilities

As explained more fully in their statement set out on page 38 the Authorised Corporate Director is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company and its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or its sub-funds or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 Conduct 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.

Paul McKechnie
for and on behalf of **KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square

London, E14 5GL

12 March 2019

American Franchise Fund

Comparative Tables

As at 31 December 2018

Financial year	'A' Class (Accumulation shares)			'A' Class (GBP Hedged Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	351.97	322.86	225.24	236.73	200.40	170.38
Return before operating charges*	31.01	34.47	101.77	3.21	39.89	32.96
Operating charges	(5.99)	(5.36)	(4.15)	(4.03)	(3.56)	(2.94)
Return after operating charges*	25.02	29.11	97.62	(0.82)	36.33	30.02
Distributions	–	–	(0.40)	–	–	(0.22)
Retained distributions on accumulation shares	–	–	0.40	–	–	0.22
Closing net asset value per share	376.99	351.97	322.86	235.91	236.73	200.40
* after direct transaction costs of:	0.04	0.21	0.16	0.02	0.14	0.11
Performance						
Return after charges	7.11%	9.02%	43.34%	(0.35%)	18.13%	17.62%
Other information						
Closing net asset value (£'000)	67,257	74,106	72,188	390	305	287
Closing number of shares	17,840,513	21,054,382	22,359,127	165,178	128,895	143,134
Operating charges	1.58%	1.59%	1.60%	1.61%	1.63%	1.65%
Direct transaction costs†	0.01%	0.06%	0.06%	0.01%	0.06%	0.06%
Prices						
Highest share price	418.77	358.68	326.73	266.82	239.27	203.22
Lowest share price	334.62	315.30	202.30	226.79	198.90	148.68

Financial year	'A' Class (USD Accumulation shares)			'B' Class (Accumulation shares)		
	31.12.18 (c)	31.12.17 (c)	31.12.16 (c)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	475.89	397.45	334.04	364.15	333.20	231.88
Return before operating charges*	13.74	85.34	68.95	32.09	35.62	104.94
Operating charges	(7.98)	(6.90)	(5.54)	(5.23)	(4.67)	(3.62)
Return after operating charges*	5.76	78.44	63.41	26.86	30.95	101.32
Distributions	–	–	(0.47)	–	–	(1.09)
Retained distributions on accumulation shares	–	–	0.47	–	–	1.09
Closing net asset value per share	481.65	475.89	397.45	391.01	364.15	333.20
* after direct transaction costs of :	0.05	0.27	0.21	0.04	0.22	0.16
Performance						
Return after charges	1.21%	19.74%	18.98%	7.38%	9.29%	43.70%
Other information						
Closing net asset value (USD'000)/(£'000)	261	509	648	8,148	8,149	8,188
Closing number of shares	54,130	106,859	163,017	2,083,931	2,237,827	2,457,392
Operating charges	1.58%	1.59%	1.60%	1.33%	1.34%	1.35%
Direct transaction costs†	0.01%	0.06%	0.06%	0.01%	0.06%	0.06%
Prices						
Highest share price	541.86	480.02	402.70	434.00	371.06	337.18
Lowest share price	462.94	394.74	291.90	346.29	325.47	208.32

Comparative Tables

As at 31 December 2018

Financial year	'I' Class (Accumulation shares)			'R' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	233.93	212.97	147.48	236.03	215.42	149.55
Return before operating charges*	20.63	22.84	66.95	20.79	23.07	67.77
Operating charges	(2.11)	(1.88)	(1.46)	(2.75)	(2.46)	(1.90)
Return after operating charges*	18.52	20.96	65.49	18.04	20.61	65.87
Distributions	(0.91)	(1.12)	(1.55)	(0.13)	(0.57)	(1.13)
Retained distributions on accumulation shares	0.91	1.12	1.55	0.13	0.57	1.13
Closing net asset value per share	252.45	233.93	212.97	254.07	236.03	215.42
* after direct transaction costs of:	0.02	0.14	0.10	0.02	0.14	0.10
Performance						
Return after charges	7.92%	9.84%	44.41%	7.64%	9.57%	44.05%
Other information						
Closing net asset value (£'000)	97,021	56,062	37,846	233	293	224
Closing number of shares	38,432,070	23,965,409	17,770,717	91,803	124,188	104,282
Operating charges	0.83%	0.84%	0.85%	1.08%	1.09%	1.10%
Direct transaction costs [‡]	0.01%	0.06%	0.06%	0.01%	0.06%	0.06%
Prices						
Highest share price	279.74	238.33	215.51	281.77	240.48	217.99
Lowest share price	222.58	208.13	132.57	224.51	210.47	134.39

Financial year	'S' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share			
Opening net asset value per share	282.01	254.83	175.16
Return before operating charges*	24.85	27.43	79.89
Operating charges	(0.24)	(0.25)	(0.22)
Return after operating charges*	24.61	27.18	79.67
Distributions	(3.40)	(3.35)	(3.37)
Retained distributions on accumulation shares	3.40	3.35	3.37
Closing net asset value per share	306.62	282.01	254.83
* after direct transaction costs of:	0.03	0.17	0.12
Performance			
Return after charges	8.73%	10.67%	45.48%
Other information			
Closing net asset value (£'000)	4,713	3,700	3,288
Closing number of shares	1,537,171	1,312,035	1,290,102
Operating charges	0.08%	0.09%	0.10%
Direct transaction costs [‡]	0.01%	0.06%	0.06%
Prices			
Highest share price	338.95	287.24	257.85
Lowest share price	268.55	249.20	157.57

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

‡ Direct portfolio transaction costs: Broker execution commission, taxes, and costs of research from brokers and other research providers. From 1 January 2018 the costs of research from brokers and other research providers is paid by Investec Asset Management and is no longer incurred by the funds.

Indirect portfolio transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid. Details of the dealing spread is shown in note 5 of the 'Notes to the financial statements' for each of the individual funds.

Asia Pacific Franchise Fund

Comparative Tables

As at 31 December 2018

Financial year	'A' Class (Accumulation shares)			'B' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	669.62	480.56	388.59	6,853.53	4,906.17	3,957.19
Return before operating charges*	(77.89)	198.92	99.30	(798.55)	2,033.55	1,012.98
Operating charges	(11.04)	(9.86)	(7.33)	(96.76)	(86.19)	(64.00)
Return after operating charges*	(88.93)	189.06	91.97	(895.31)	1,947.36	948.98
Distributions	(0.18)	(3.38)	(4.53)	(18.21)	(49.78)	(57.15)
Retained distributions on accumulation shares	0.18	3.38	4.53	18.21	49.78	57.15
Closing net asset value per share	580.69	669.62	480.56	5,958.22	6,853.53	4,906.17
* after direct transaction costs of:	0.42	2.15	0.88	4.25	22.03	9.04
Performance						
Return after charges	(13.28%)	39.34%	23.67%	(13.06%)	39.69%	23.98%
Other information						
Closing net asset value (£'000)	49,928	63,092	55,348	4,215	5,299	4,131
Closing number of shares	8,597,974	9,422,105	11,517,436	70,739	77,315	84,207
Operating charges	1.64%	1.68%	1.71%	1.39%	1.43%	1.46%
Direct transaction costs [‡]	0.06%	0.37%	0.21%	0.06%	0.37%	0.21%
Prices						
Highest share price	698.74	673.26	528.75	7159.20	6,890.67	5,395.74
Lowest share price	561.79	480.98	342.93	5761.86	4,910.49	3,492.38

Financial year	'I' Class (Accumulation shares)			'R' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	332.97	237.17	190.34	193.09	137.88	110.94
Return before operating charges*	(38.96)	98.52	48.86	(22.58)	57.23	28.41
Operating charges	(3.10)	(2.72)	(2.03)	(2.22)	(2.02)	(1.47)
Return after operating charges*	(42.06)	95.80	46.83	(24.80)	55.21	26.94
Distributions	(2.48)	(3.89)	(3.82)	(0.98)	(1.83)	(1.90)
Retained distributions on accumulation shares	2.48	3.89	3.82	0.98	1.83	1.90
Closing net asset value per share	290.91	332.97	237.17	168.29	193.09	137.88
* after direct transaction costs of:	0.21	1.07	0.44	0.12	0.62	0.25
Performance						
Return after charges	(12.63%)	40.39%	24.60%	(12.84%)	40.04%	24.28%
Other information						
Closing net asset value (£'000)	88,102	139,131	108,062	527	490	284
Closing number of shares	30,285,306	41,784,476	45,562,993	313,080	253,921	205,871
Operating charges	0.89%	0.93%	0.96%	1.14%	1.18%	1.21%
Direct transaction costs [‡]	0.06%	0.37%	0.21%	0.06%	0.37%	0.21%
Prices						
Highest share price	348.58	334.76	260.60	201.92	194.13	151.56
Lowest share price	281.08	237.38	168.08	162.68	138.00	97.93

Comparative Tables

As at 31 December 2018

Financial year	'S' Class (Accumulation shares) ⁽¹⁾		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share			
Opening net asset value per share	–	512.64	408.35
Return before operating charges*	–	33.28	105.26
Operating charges	–	(1.02)	(0.97)
Return after operating charges*	–	32.26	104.29
Return to shareholder as a result of class closure	–	(544.90)	–
Distributions	–	–	(11.66)
Retained distributions on accumulation shares	–	–	11.66
Closing net asset value per share	–	–	512.64
* after direct transaction costs of:	–	1.95	0.95
Performance			
Return after charges	–	6.29%	25.54%
Other information			
Closing net asset value (USD'000)	–	–	314
Closing number of shares	–	–	61,158
Operating charges	–	0.19%	0.21%
Direct transaction costs [‡]	–	0.37%	0.21%
Prices			
Highest share price	–	544.90	562.50
Lowest share price	–	513.07	360.91

(1) Closed 3 February 2017.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

‡ Direct portfolio transaction costs: Broker execution commission, taxes, and costs of research from brokers and other research providers. From 1 January 2018 the costs of research from brokers and other research providers is paid by Investec Asset Management and is no longer incurred by the funds.

Indirect portfolio transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid. Details of the dealing spread is shown in note 5 of the 'Notes to the financial statements' for each of the individual funds.

Global Energy Fund

Comparative Tables

As at 31 December 2018

Financial year	'A' Class (Accumulation shares)			'A' Class (USD Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (c)	31.12.17 (c)	31.12.16 (c)
Change in net assets per share						
Opening net asset value per share	197.72	229.13	153.98	267.11	281.83	228.15
Return before operating charges*	(22.02)	(28.16)	78.14	(42.62)	(10.55)	57.72
Operating charges	(3.27)	(3.25)	(2.99)	(4.36)	(4.17)	(4.04)
Return after operating charges*	(25.29)	(31.41)	75.15	(46.98)	(14.72)	53.68
Distributions	(3.21)	(2.33)	(2.49)	(4.10)	(3.16)	(3.07)
Retained distributions on accumulation shares	3.21	2.33	2.49	4.10	3.16	3.07
Closing net asset value per share	172.43	197.72	229.13	220.13	267.11	281.83
* after direct transaction costs of:	0.27	0.36	0.33	0.36	0.47	0.45
Performance						
Return after charges	(12.79%)	(13.71%)	48.81%	(17.59%)	(5.22%)	23.53%
Other information						
Closing net asset value (£'000)/(USD'000)	17,379	25,379	33,577	1,040	1,640	1,759
Closing number of shares	10,078,826	12,836,146	14,654,103	472,588	613,927	624,259
Operating charges	1.66%	1.63%	1.63%	1.66%	1.63%	1.63%
Direct transaction costs [‡]	0.14%	0.18%	0.18%	0.14%	0.18%	0.25%
Prices						
Highest share price	215.85	234.42	232.27	289.68	286.30	288.93
Lowest share price	170.04	176.78	133.41	214.88	227.87	188.26

Financial year	'I' Class (Accumulation shares)			'I' Class (Income shares)		
	31.12.18 (p)	31...12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	216.89	249.46	166.40	68.57	80.39	54.54
Return before operating charges*	(24.33)	(30.64)	84.80	(7.70)	(9.86)	27.85
Operating charges	(1.98)	(1.93)	(1.74)	(0.62)	(0.62)	(0.61)
Return after operating charges*	(26.31)	(32.57)	83.06	(8.32)	(10.48)	27.23
Distributions	(5.16)	(4.17)	(4.20)	(1.63)	(1.34)	(1.38)
Retained distributions on accumulation shares	5.16	4.17	4.20	–	–	–
Closing net asset value per share	190.58	216.89	249.46	58.62	68.57	80.39
* after direct transaction costs of:	0.30	0.40	0.36	0.09	0.13	0.13
Performance						
Return after charges	(12.13%)	(13.06%)	49.92%	(12.13%)	(13.04%)	49.93%
Other information						
Closing net asset value (£'000)	26,147	36,595	47,146	798	1,028	6,211
Closing number of shares	13,719,199	16,872,616	18,898,859	1,361,286	1,498,698	7,726,908
Operating charges	0.91%	0.88%	0.88%	0.91%	0.88%	0.88%
Direct transaction costs [‡]	0.14%	0.18%	0.18%	0.14%	0.18%	0.18%
Prices						
Highest share price	237.45	255.28	252.87	75.07	82.27	82.89
Lowest share price	187.91	193.39	144.24	59.41	62.33	47.27

Comparative Tables

As at 31 December 2018

Financial year	'R' Class (Accumulation shares)			'S' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	89.62	103.35	69.11	140.87	160.82	106.47
Return before operating charges*	(10.04)	(12.69)	35.20	(15.90)	(19.75)	54.52
Operating charges	(1.04)	(1.04)	(0.96)	(0.23)	(0.20)	(0.17)
Return after operating charges*	(11.08)	(13.73)	34.24	(16.13)	(19.95)	54.35
Distributions	(1.91)	(1.50)	(1.53)	(4.42)	(3.75)	(3.65)
Retained distributions on accumulation shares	1.91	1.50	1.53	4.42	3.75	3.65
Closing net asset value per share	78.54	89.62	103.35	124.74	140.87	160.82
* after direct transaction costs of:	0.12	0.17	0.15	0.19	0.26	0.23
Performance						
Return after charges	(12.36%)	(13.28%)	49.54%	(11.45%)	(12.41%)	51.05%
Other information						
Closing net asset value (£'000)	101	97	261	2,345	3,463	3,949
Closing number of shares	128,963	108,681	252,040	1,879,782	2,457,914	2,455,418
Operating charges	1.16%	1.13%	1.13%	0.16%	0.13%	0.13%
Direct transaction costs [‡]	0.14%	0.18%	0.18%	0.14%	0.18%	0.18%
Prices						
Highest share price	98.03	105.75	104.76	154.67	164.60	163.00
Lowest share price	77.44	79.99	59.89	122.97	125.26	92.44

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

[‡] Direct portfolio transaction costs: Broker execution commission, taxes, and costs of research from brokers and other research providers. From 1 January 2018 the costs of research from brokers and other research providers is paid by Investec Asset Management and is no longer incurred by the funds.

Indirect portfolio transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid. Details of the dealing spread is shown in note 5 of the 'Notes to the financial statements' for each of the individual funds.

Global Strategic Equity Fund

Comparative Tables

As at 31 December 2018

Financial year	'A' Class (Accumulation shares)			'A' Class (USD Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (c)	31.12.17 (c)	31.12.16 (c)
Change in net assets per share						
Opening net asset value per share	926.18	785.20	632.75	1,249.72	964.66	936.38
Return before operating charges*	(74.22)	154.68	163.34	(162.58)	302.71	42.94
Operating charges	(14.81)	(13.70)	(10.89)	(19.73)	(17.65)	(14.66)
Return after operating charges*	(89.03)	140.98	152.45	(182.31)	285.06	28.28
Distributions	(2.37)	(0.33)	(2.07)	(3.01)	(0.47)	(2.59)
Retained distributions on accumulation shares	2.37	0.33	2.07	3.01	0.47	2.59
Closing net asset value per share	837.15	926.18	785.20	1067.41	1,249.72	964.66
* after direct transaction costs of :	0.46	0.75	0.47	0.61	0.96	0.63
Performance						
Return after charges	(9.61%)	17.95%	24.09%	(14.59%)	29.55%	3.02%
Other information						
Closing net asset value (£'000)/(USD'000)	148,728	192,471	185,187	116	149	115
Closing number of shares	17,766,018	20,781,163	23,584,783	10,904	11,919	11,919
Operating charges	1.59%	1.59%	1.61%	1.59%	1.59%	1.61%
Direct transaction costs [‡]	0.05%	0.09%	0.07%	0.05%	0.09%	0.07%
Prices						
Highest share price	989.72	932.80	792.29	1344.23	1,250.34	976.36
Lowest share price	819.93	785.55	550.67	1035.67	965.09	798.28

Financial year	'I' Class (Accumulation shares)			'I' Class (GBP Hedged Accumulation shares) ⁽¹⁾		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	236.17	198.73	158.96	123.13	100.00	–
Return before operating charges*	(19.10)	39.29	41.24	(16.10)	23.97	–
Operating charges	(2.00)	(1.85)	(1.47)	(1.07)	(0.84)	–
Return after operating charges*	(21.10)	37.44	39.77	(17.17)	23.13	–
Distributions	(2.38)	(1.72)	(1.81)	(1.20)	(0.87)	–
Retained distributions on accumulation shares	2.38	1.72	1.81	1.20	0.87	–
Closing net asset value per share	215.07	236.17	198.73	105.96	123.13	–
* after direct transaction costs of :	0.12	0.19	0.12	0.06	0.10	–
Performance						
Return after charges	(8.93%)	18.84%	25.02%	(13.94%)	23.13%	–
Other information						
Closing net asset value (£'000)	232,436	296,419	293,001	44,438	60,466	–
Closing number of shares	108,072,113	125,511,194	147,437,696	41,936,813	49,107,683	–
Operating charges	0.84%	0.84%	0.86%	0.87%	0.88%	–
Direct transaction costs [‡]	0.05%	0.09%	0.07%	0.05%	0.09%	–
Prices						
Highest share price	253.51	237.62	200.51	130.70	123.27	–
Lowest share price	210.62	198.81	138.45	103.02	100.00	–

Comparative Tables

As at 31 December 2018

Financial year	'R' Class (Accumulation shares)			'S' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	219.26	184.96	148.31	291.63	243.57	193.38
Return before operating charges*	(17.67)	36.53	38.42	(23.79)	48.34	50.42
Operating charges	(2.41)	(2.23)	(1.77)	(0.26)	(0.28)	(0.23)
Return after operating charges*	(20.08)	34.30	36.65	(24.05)	48.06	50.19
Distributions	(1.67)	(1.09)	(1.29)	(5.19)	(4.12)	(3.78)
Retained distributions on accumulation shares	1.67	1.09	1.29	5.19	4.12	3.78
Closing net asset value per share	199.18	219.26	184.96	267.58	291.63	243.57
* after direct transaction costs of :	0.11	0.18	0.11	0.15	0.23	0.14
Performance						
Return after charges	(9.16%)	18.54%	24.71%	(8.25%)	19.73%	25.95%
Other information						
Closing net asset value (£'000)	551	701	640	79,395	86,261	176,156
Closing number of shares	276,578	319,855	345,859	29,671,025	29,578,856	72,322,662
Operating charges	1.09%	1.09%	1.11%	0.09%	0.09%	0.11%
Direct transaction costs [‡]	0.05%	0.09%	0.07%	0.05%	0.09%	0.07%
Prices						
Highest share price	235.01	220.66	186.62	314.60	293.37	245.74
Lowest share price	195.06	185.04	129.15	262.00	243.67	168.58

(1) Launched 31 January 2017.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

‡ Direct portfolio transaction costs: Broker execution commission, taxes, and costs of research from brokers and other research providers. From 1 January 2018 the costs of research from brokers and other research providers is paid by Investec Asset Management and is no longer incurred by the funds.

Indirect portfolio transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid. Details of the dealing spread is shown in note 5 of the 'Notes to the financial statements' for each of the individual funds.

Global Total Return Credit Fund

Comparative Tables

As at 31 December 2018

Financial year	'A' Class (Income-2 shares)			'I' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	100.00	–	–	100.00	–	–
Return before operating charges*	(0.76)	–	–	(0.77)	–	–
Operating charges	(1.02)	–	–	(0.56)	–	–
Return after operating charges*	(1.78)	–	–	(1.33)	–	–
Distributions	(2.15)	–	–	(1.65)	–	–
Retained distributions on accumulation shares	–	–	–	1.65	–	–
Closing net asset value per share	96.07	–	–	98.67	–	–
* after direct transaction costs of :	0.00	–	–	0.00	–	–
Performance						
Return after charges	(1.78%)	–	–	(1.33%)	–	–
Other information						
Closing net asset value (£'000)	10	–	–	39,421	–	–
Closing number of shares	10,138	–	–	39,952,121	–	–
Operating charges	1.63%	–	–	0.87%	–	–
Direct transaction costs [‡]	0.00%	–	–	0.00%	–	–
Prices**						
Highest share price	100.10	–	–	100.71	–	–
Lowest share price	97.07	–	–	98.85	–	–

Financial year	'I' Class (Income-2 shares)			'K' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	100.00	–	–	100.00	–	–
Return before operating charges*	(0.74)	–	–	(0.79)	–	–
Operating charges	(0.55)	–	–	(0.35)	–	–
Return after operating charges*	(1.29)	–	–	(1.14)	–	–
Distributions	(2.16)	–	–	(1.86)	–	–
Retained distributions on accumulation shares	–	–	–	1.86	–	–
Closing net asset value per share	96.55	–	–	98.86	–	–
* after direct transaction costs of :	0.00	–	–	0.00	–	–
Performance						
Return after charges	(1.29%)	–	–	(1.14%)	–	–
Other information						
Closing net asset value (£'000)	2,314	–	–	3,613	–	–
Closing number of shares	2,396,673	–	–	3,654,871	–	–
Operating charges	0.85%	–	–	0.55%	–	–
Direct transaction costs [‡]	0.00%	–	–	0.00%	–	–
Prices**						
Highest share price	100.37	–	–	100.84	–	–
Lowest share price	97.53	–	–	99.04	–	–

Comparative Tables

As at 31 December 2018

Financial year	'K' Class (Income-2 shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share			
Opening net asset value per share	100.00	–	–
Return before operating charges*	(0.77)	–	–
Operating charges	(0.36)	–	–
Return after operating charges*	(1.13)	–	–
Distributions	(2.17)	–	–
Retained distributions on accumulation shares	–	–	–
Closing net asset value per share	96.70	–	–
* after direct transaction costs of :	0.00	–	–
Performance			
Return after charges	(1.13%)	–	–
Other information			
Closing net asset value (£'000)	43,237	–	–
Closing number of shares	44,710,329	–	–
Operating charges	0.56%	–	–
Direct transaction costs	0.00%	–	–
Prices**			
Highest share price	100.46	–	–
Lowest share price	97.69	–	–

Fund launched 11 May 2018, therefore no comparatives are available.

**The highest and lowest share prices are based on published price. The opening and closing net asset values per share include accounting adjustments, therefore they may appear higher or lower as a result.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

‡ Direct portfolio transaction costs: Broker execution commission, taxes, and costs of research from brokers and other research providers. From 1 January 2018 the costs of research from brokers and other research providers is paid by Investec Asset Management and is no longer incurred by the funds.

Indirect portfolio transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid. Details of the dealing spread is shown in note 5 of the 'Notes to the financial statements' for each of the individual funds.

Monthly High Income Fund

Comparative Tables

As at 31 December 2018

Financial year	'A' Class (Accumulation shares)			'A' Class (Income-2 shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	222.37	212.61	190.08	69.55	70.06	66.12
Return before operating charges*	(6.27)	12.74	25.28	(1.89)	4.13	8.44
Operating charges	(2.98)	(2.98)	(2.75)	(0.91)	(0.96)	(0.94)
Return after operating charges*	(9.25)	9.76	22.53	(2.80)	3.17	7.50
Distributions	(7.17)	(8.50)	(8.27)	(3.10)	(3.68)	(3.56)
Retained distributions on accumulation shares	7.17	8.50	8.27	–	–	–
Closing net asset value per share	213.12	222.37	212.61	63.65	69.55	70.06
* after direct transaction costs of:	–	–	–	–	–	–
Performance						
Return after charges	(4.16%)	4.59%	11.85%	(4.03%)	4.52%	11.35%
Other information						
Closing net asset value (£'000)	10,367	12,373	14,505	20,757	25,802	28,659
Closing number of shares	4,864,576	5,564,413	6,822,562	32,613,000	37,098,358	40,905,210
Operating charges	1.34%	1.34%	1.36%	1.34%	1.34%	1.36%
Direct transaction costs [‡]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	224.28	224.14	213.47	70.15	71.43	71.95
Lowest share price	213.47	213.45	183.81	64.04	69.87	63.70

Financial year	'I' Class (Accumulation shares)			'I' Class (Income-2 shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	182.45	173.41	154.30	101.48	101.61	95.31
Return before operating charges*	(5.16)	10.39	20.37	(2.77)	6.00	12.21
Operating charges	(1.37)	(1.35)	(1.26)	(0.75)	(0.78)	(0.76)
Return after operating charges*	(6.53)	9.04	19.11	(3.52)	5.22	11.45
Distributions	(6.99)	(8.03)	(7.52)	(4.53)	(5.35)	(5.15)
Retained distributions on accumulation shares	6.99	8.03	7.52	–	–	–
Closing net asset value per share	175.92	182.45	173.41	93.43	101.48	101.61
* after direct transaction costs of:	–	–	–	–	–	–
Performance						
Return after charges	(3.58%)	5.21%	12.38%	(3.47%)	5.14%	12.01%
Other information						
Closing net asset value (£'000)	25,988	23,330	17,673	36,359	44,938	44,336
Closing number of shares	14,772,845	12,787,068	10,191,159	38,916,034	44,281,141	43,632,233
Operating charges	0.74%	0.74%	0.76%	0.74%	0.74%	0.76%
Direct transaction costs [‡]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	184.05	183.74	174.10	102.38	103.80	104.22
Lowest share price	176.20	174.10	149.25	94.01	101.51	91.88

Comparative Tables

As at 31 December 2018

Financial year	'R' Class (Accumulation shares)			'R' Class (Income-2 shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share						
Opening net asset value per share	123.62	117.61	104.73	95.94	96.16	90.29
Return before operating charges*	(3.50)	7.05	13.85	(2.62)	5.67	11.57
Operating charges	(1.05)	(1.04)	(0.97)	(0.80)	(0.83)	(0.82)
Return after operating charges*	(4.55)	6.01	12.88	(3.42)	4.84	10.75
Distributions	(4.61)	(5.33)	(5.03)	(4.28)	(5.06)	(4.88)
Retained distributions on accumulation shares	4.61	5.33	5.03	—	—	—
Closing net asset value per share	119.07	123.62	117.61	88.24	95.94	96.16
* after direct transaction costs of:	—	—	—	—	—	—
Performance						
Return after charges	(3.68%)	5.11%	12.30%	(3.56%)	5.03%	11.91%
Other information						
Closing net asset value (£'000)	338	277	263	954	775	757
Closing number of shares	284,240	223,813	223,417	1,080,449	807,290	786,703
Operating charges	0.84%	0.84%	0.86%	0.84%	0.84%	0.86%
Direct transaction costs [‡]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	124.70	124.51	118.08	96.78	98.18	98.65
Lowest share price	119.26	118.08	101.32	88.78	96.04	87.04

Financial year	'S' Class (Accumulation shares)		
	31.12.18 (p)	31.12.17 (p)	31.12.16 (p)
Change in net assets per share			
Opening net asset value per share	255.16	240.74	210.51
Return before operating charges*	(7.27)	14.69	30.48
Operating charges	(0.27)	(0.27)	(0.25)
Return after operating charges*	(7.54)	14.42	30.23
Distributions	(11.45)	(12.84)	(14.57)
Retained distributions on accumulation shares	11.45	12.84	14.57
Closing net asset value per share	247.62	255.16	240.74
* after direct transaction costs of:	—	—	—
Performance			
Return after charges	(2.96%)	5.99%	14.36%
Other information			
Closing net asset value (£'000)	6,310	2,338	6,945
Closing number of shares	2,548,084	916,203	2,884,769
Operating charges	0.09%	0.09%	0.11%
Direct transaction costs [‡]	0.00%	0.00%	0.00%
Prices			
Highest share price	257.44	256.72	241.66
Lowest share price	248.01	241.66	203.97

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange, method of execution and the quality of research provided. They are made up of direct and indirect portfolio transaction costs:

‡ Direct portfolio transaction costs: Broker execution commission, taxes, and costs of research from brokers and other research providers. From 1 January 2018 the costs of research from brokers and other research providers is paid by Investec Asset Management and is no longer incurred by the funds.

Indirect portfolio transaction costs: 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid. Details of the dealing spread is shown in note 5 of the 'Notes to the financial statements' for each of the individual funds.

Notes to the Financial Statements of the Company

For the year ended 31 December 2018

1. Accounting policies

a) Basis of accounting

The financial statements on pages 56 to 114 have been prepared under the historical cost basis, as modified by the revaluation of investments, in compliance with the Financial Conduct Authority's Collective Investments Schemes Sourcebook. They have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 (The Financial Reporting Standard Applicable in the UK and Republic of Ireland 'FRS 102'), and in accordance with the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by the Investment Management Association in May 2014 ('the 2014 SORP'). The financial statements are prepared on the going concern basis.

Changes in accounting policies

There have been no changes to the accounting policies as detailed in the audited financial statements for the year ended 31 December 2018.

b) Valuation of investments

The investments of the Funds have been valued at market value at noon (UK time) on 31 December 2018 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.

Open Forward Currency Contracts are shown in the Portfolio Statement and are valued using contracted forward rates. The net gains/(losses) are reflected in 'Forward currency contracts' in Net capital gains/(losses).

Open Futures Contracts are shown in the Portfolio Statement and are valued using broker prices. The net gains/(losses) are reflected in 'Derivative contracts' in Net capital gains/(losses).

Open Swap Contracts are shown in the Portfolio Statement and are at fair value. The net gains/(losses) are reflected in 'Derivative contracts' in Net capital gains/(losses).

c) Exchange rates

Monetary assets and liabilities held in currencies other than sterling have been translated into sterling at the exchange rates ruling at noon on 31 December 2018. 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.

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 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.

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 Financial Statements of the Company

continued

For the year ended 31 December 2018

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.

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.

Global Total Return Credit Fund will distribute revenue on a quarterly basis.

American Franchise Fund, Asia Pacific Franchise Fund, Global Energy Fund, Global Strategic Equity Fund will distribute annually by reference to net revenue arising during the year ended 31 December 2018.

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 are Monthly High Income Fund and Global Total Return Credit Fund, where expenses in respect of Income-2 shares are borne by capital for distribution purposes. Details of expenses borne by capital can be found in the 'Distributions' note.

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.

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.

Funds' portfolios are monitored 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.

General risks

Risks associated with investments

Accounting

Accounting, auditing and financial reporting standards, practices and disclosure requirements vary between countries and can change and this can be a source of uncertainty in the true value of investments and can lead to a loss of capital or income.

Active management

The Investment Manager has discretion to purchase and sell assets of the Funds in accordance with each Fund's investment policy which is further described in Appendix I of the Prospectus. It may be as a consequence of the Investment Manager actively electing to deviate from the constituents of any related market index that a Fund may not participate in the general upward move as measured by that market's index and that a Fund's value may decline even while any related index is rising.

Efficient portfolio management

Efficient Portfolio Management may be used by the Funds to reduce risk, reduce costs or for the generation of additional capital or income in the Funds at an acceptably low level of risk.

The Funds may use derivatives repo contracts, and stock lending for Efficient Portfolio Management.

It is not intended that using derivatives for Efficient Portfolio Management will increase the volatility of the Funds. In adverse situations, however, a Fund's use of derivatives may become ineffective in hedging or Efficient Portfolio Management and a Fund may suffer significant loss as a result.

A Fund's ability to use Efficient Portfolio Management techniques may be limited by market conditions, regulatory limits and tax considerations. Any income or capital generated by Efficient Portfolio Management techniques will be paid to the Funds.

The Investment Manager may use one or more separate counterparties to undertake transactions on behalf of these Funds. A Fund may be required to pledge or transfer collateral from its assets to secure the exposure of such contracts entered into for Efficient Portfolio Management. There may be a risk that a counterparty will wholly or partially fail to honour their contractual arrangements with regards the provision and/or return of collateral and any other payments due to the relevant Fund. The ACD measures the creditworthiness of counterparties as part of the risk management process.

A counterparty may be an associate of the ACD or the Investment Manager which may give rise to a conflict of interest. For further details on the ACD's conflicts of interest policy please contact the ACD.

Exchange rate fluctuation

Currency fluctuations may adversely affect the value of a Fund's investments and the income thereon. Currency fluctuations may also adversely affect the profitability of an underlying company in which a Fund invests.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2018

3. Risk management policies (continued)

Income yield

The level of any yield arising from interest and/or dividend payments, and other such sources of income, for a Fund may be subject to fluctuations and is not guaranteed. Therefore the related distribution amount paid, or deemed to be paid, from any Fund's Share Classes may also fluctuate over time and is not guaranteed.

Inflation & deflation

Inflation erodes the real value of all investments and changes in the anticipated rate of inflation could lead to capital losses in a Fund's investments.

Deflation risk is the risk that prices throughout an economy may decline over time. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of a Fund's portfolio.

Initial public offerings (IPO) & placement

When a Fund subscribes for an IPO or a placing there is a (potentially lengthy) period between the Fund submitting its application and finding out whether the application has been successful. If the Fund is not allocated the full amount subscribed for due to oversubscription or the security is listed at lower than the issue price (in respect of an IPO only), this may result in a sudden change in the Fund's price. There is also the opportunity cost of having cash committed to the subscription (and therefore out of the market), and not receiving the full allocation.

Political & regulatory

Expropriation by the state, social or political instability, or other restrictions on the freedom of a Fund to deal in its investments, may all lead to investment losses. It should also be noted that there may be occasions when a government imposes restrictions on a company's operations and/or the free movement of cash.

The regulatory environment is evolving and changes therein may adversely affect the ability of a Fund to pursue its investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or regulatory authorities which may adversely affect the value of the investments held by a Fund. The effect of any future regulatory or tax change on the Funds is impossible to predict. The regulatory environment within which the Funds operate may be different to the regulatory requirements of the investors' home countries.

Brexit risk

To ensure Investec Asset Management (IAM) is adequately prepared for different post-Brexit scenarios, a dedicated Brexit programme has been formed to analyse any potential Brexit impacts and assumptions for what the post-Brexit landscape might look like, with the aim of readying IAM accordingly. We have engaged with our key third party service providers that may be affected by a hard-Brexit. Our engagement has provided comfort that they are well placed to continue to offer the same service and products that have been provided prior to Brexit. We are in close contact with all in-scope execution counterparties around their plans to ensure uninterrupted market access for IAM on behalf of all of our clients in any Brexit scenario. At this stage no material risks have been identified so we are happy that we will be able to continue with our best execution process for all of our clients. Our priority is managing any potential impacts on our clients' investments. Brexit involves a significant amount of uncertainty and financial markets are likely to continue greeting this uncertainty with volatility. Our portfolio managers are continuing to evaluate the developments and any potential impact on the prospects of the investments in their portfolios.

The Company may lose its EU UCITS status as a result of Brexit but this will not impede the IAM's ability to continue servicing the Company or affect the Company's ability to continue as a going concern.

Risks associated with share classes

Base currency hedged share classes

For the base currency Hedged Share Classes, the ACD will implement a currency hedging strategy to limit exposure to the currency position of the relevant Fund's Base Currency relative to the currency denomination of the relevant base currency hedged Share Class ('BCHSC Currency'). However, there can be no assurance that the strategy implemented by the ACD will be successful.

The currency hedging transactions will be entered into regardless of whether the Base Currency is declining or increasing in value relative to the BCHSC Currency. Consequently, while such hedging will largely protect investors against a decline in the value of the relevant Base Currency relative to the BCHSC Currency, it will also mean that investors will not benefit from an increase in the value of that Base Currency relative to the BCHSC Currency.

Due to the impossibility of forecasting future market values the currency hedging will not be perfect and the returns of the base currency hedged Share Class, measured in the BCHSC Currency, will not be exactly the same as the returns of an equivalent Share Class denominated in and measured in the relevant Base Currency.

Shareholders should also note that liabilities arising from a Hedged Share Class in a Fund may affect the Net Asset Value of the other Share Classes in that Fund.

Charges to capital

Where the income generated by a Fund's investments is not sufficient to offset the charges and expenses of the Fund they may instead be deducted from the capital of the Fund. This will constrain the rate of capital growth.

For the Income-2 Share Classes, all expenses attributable to that Share Class will be charged against the capital account of that Share Class. This has the effect of increasing the Share Class' distributions (which may be taxable) whilst reducing its capital to an equivalent extent. This could constrain future capital and income growth.

Currency denomination

The Currency Denomination of a Share Class in a Fund may not necessarily be an indicator of the currency risk to which its Shareholders are exposed. Currency risk derives from the currency exposures of the underlying assets of a Fund, while the currency denomination of a Share Class only indicates the currency in which the Net Asset Value of that Share Class is valued in.

It is also particularly important to be aware of the difference between a Share Class that is denominated in a given currency and a Share Class that is hedged into that currency. For a full overview of the different Share Classes available please refer to Section '3' of the Prospectus.

Distribution from capital

Income-2 Shares may make distributions from capital as well as from net realised and unrealised capital gains before deduction of fees and expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital and the potential for long-term capital and income growth. In addition, this distribution policy may have tax implications for your investment in such Income Shares. If in doubt, please consult your tax adviser.

Initial charges

Where an Initial Charge is made, investors who sell their Shares may not, even in the absence of a fall in the value of the Shares, recover the total amount originally subscribed.

Transactional risks arising from the hedged share classes

There is a risk that where a Fund has Share Classes that operate a hedge as well as Share Classes that do not, the returns of the latter may be affected, positively or negatively, by inaccuracies and imperfections in the operation of the hedge. This risk arises because Share Classes are not separate legal entities. Hedged Share Classes and un-hedged Share Classes of the same Fund participate in the same pool of assets and/or liabilities of the same Fund.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2018

3. Risk management policies (continued)

Shareholders should also note that assets and/or liabilities arising from one Share Class in a Fund may affect the Net Asset Value of the other Share Classes in that Fund.

Portfolio currency hedged share class

Due to the impossibility of forecasting future market values and the primary currency exposures in the relevant Fund's portfolio, portfolio currency hedging will never be perfect and the returns of PCHSC may be impacted by exchange rate movements.

Currency hedging transactions will be entered into regardless of whether the primary currency exposures are declining or increasing in value relative to the currency denomination of the PCHSC. Consequently, while such hedging will largely protect investors against a decline in the value of the relevant primary currency exposures relative to the currency denomination of the PCHSC, it will also mean that investors will not benefit from an increase in the value of those primary currency exposures relative to the currency denomination of the PCHSC.

Shareholders should also note that liabilities arising from a hedged Share Class in a Fund may affect the Net Asset Value of the other Share Classes in that Fund.

By virtue of the hedging techniques used, the performance of any PCHSC will diverge from the performance of the equivalent Share Class that does not make use of these hedging strategies.

Please see Section 2.2.2 of the Prospectus for further details on the types of hedging transactions implemented by the ACD and the risks associated with the PCHSCs.

Risks associated with shareholder dealing and portfolio transactions

Cancellation

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

Conflicts of interest

In relation to an investment in a Fund, it should be noted that the ACD, the Investment Manager and other companies within the Investec Group may, from time to time, act as ACD, management company, investment manager or adviser to other funds, Funds or other client mandates which are competitors to the Fund in question because they follow similar investment objectives to that Fund. It is therefore possible that the ACD and the Investment Manager may in the course of their business dealings have potential conflicts of interest with the Fund. Each of the ACD and the Investment Manager will, however, have regard in such event to their regulatory and contractual obligations and to their overall duty to act in a commercially reasonable manner to act in the best interests of all customers and to treat all customers fairly when undertaking any investment business where potential conflicts of interest may arise.

Counterparty – trading

A Fund may enter into transactions with counterparties, thereby exposing it to the counterparties' credit worthiness and their ability to perform and fulfil their financial obligations (including the timely settlement of trades). This risk may arise at any time a Fund's assets are deposited, extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

In some markets there may be no secure method of delivery against payment which would minimise the exposure to counterparty risk. It may be necessary to make payment on a purchase or delivery on a sale before receipt of securities or, as the case may be, sale proceeds. In this situation, the receipt of securities or sale proceeds by a Fund is dependent on the counterparty fulfilling its own delivery obligation.

When entering derivatives transactions and making use of Efficient Portfolio Management techniques, a Fund may be adversely impacted by conflicts of interest arising from the relationship of the counterparties to the relevant investment manager or another member of the relevant Investment Manager's group of companies.

Dilution

In certain circumstances a dilution adjustment may be made on the purchase or sale of Shares (see paragraph 'Dilution' in the Prospectus). In the case of purchases this will reduce the number of Shares acquired, in the case of sales this will reduce the proceeds. Where a dilution adjustment is not made, existing investors in the Fund in question may suffer dilution which will constrain capital growth.

Liquidity risk – fund investments

A Fund may invest in certain securities that subsequently become difficult to sell because of reduced liquidity. This would have an adverse impact on the market price or the ability to realise the asset. Reduced liquidity for such securities may be driven by a specific economic or market event, such as the deterioration in the creditworthiness of an issuer.

Risk of deferred redemptions

In the case of individual or collective redemptions and/or switches which are in aggregate 10% or more of the net asset value of a Fund on a Dealing Day, the ACD may decide without Shareholder approval to defer redemptions to the Valuation Point on the next Dealing Day (see Section 3.11 of the Prospectus). Subject to sufficient liquidity being raised at the next Valuation Point all deals relating to the earlier Valuation Point will be completed before those relating to the later Valuation Point are considered.

Risk of market closure

Certain markets in which a Fund invests may not open every Dealing Day. The consequence is that the prices at which the Shares may be bought or sold will be based on prices for the underlying investments that are out of date to a greater or lesser extent. This will cause the returns of the Fund to be affected if purchases or sales of Shares are followed immediately by increases or decreases in the prices of the underlying investments. Causes of market closures can be either from differences in normal market trading days, national or localised public holidays or from non-standard market closures imposed as emergency measures.

Risk of remittance restrictions

In some countries, the proceeds from the sale of a security, or dividends or other income, which is due to foreign investors, may not be payable, in full or in part, due to governmental or other restrictions. Any such restrictions will reduce the profit potential of a Fund and may lead to losses. Other such risks may include the introduction of unexpected taxation rules. In some circumstances, governmental or regulatory controls may be imposed affecting the efficient movement of capital (e.g. exchange limitations or currency movements/repatriation).

Risk of suspension

In certain circumstances, Shareholders' right to redeem, switch or convert sell Shares (including a sale by way of conversion) may be suspended (see Section 6.7 of the Prospectus). This will mean that on a temporary basis Shareholders will not have access to their money.

Risks associated with fund operations

Central securities depositaries

For the purposes of the UCITS Directive, entrusting the custody of the Company's assets to the operator of a securities settlement system ('SSS') is currently not considered as a delegation by the Depositary and the Depositary would therefore be exempted from its obligation to return an asset lost by an SSS.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2018

3. Risk management policies (continued)

Custody

Each Fund's assets are safe kept by the Depositary or its sub-custodians (which may not be part of the same group of companies as the Depositary) and Shareholders in a Fund are exposed to the risk of the Depositary or its sub-custodian not being able to fully meet its obligation to return in a short time frame all of the assets held at the Depositary or a sub-custodian in the case of its insolvency. Securities of a Fund will normally be identified in the Depositary's or sub-custodian's books as belonging to the Fund and will be segregated from the Depositary or the sub-custodian's assets. This provides protection for the Fund's assets in the event of the insolvency of either the Depositary or its sub-custodian, but does not exclude the risk that the assets will not be returned promptly in the event of insolvency.

A Fund's assets may also be pooled with the securities of other clients of the Depositary or sub-custodian. In this circumstance, if there were problems with the settlement or custody of any security in the pool then, subject to the requirements of COLL, the loss would be spread across all clients in the pool and would not be restricted to the client whose securities were subject to loss.

In addition, a Fund may be required to place assets outside of the Depositary and the sub-custodian's safekeeping network in order for the Fund to trade in certain markets. In such circumstances the Depositary remains responsible for the proper selection and supervision of the persons safekeeping such assets in the relevant markets. In such markets, Shareholders should note that there may be delays in settlement and/or uncertainty in relation to the ownership of a Fund's investments which could affect the Fund's liquidity and which could lead to investment losses.

The Depositary is liable to a Fund for the loss of an asset held in custody by the Depositary and its sub-custodians. However, the Depositary may have no liability for the loss of an asset where the Depositary can prove that the loss is due to an event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary by the Depositary.

A Fund's cash held on deposit with a Depositary or its sub-custodian is not segregated from the assets of the Depositary or its sub-custodian and is held at the risk of the Fund.

Economically viable

If a Fund does not reach a sustainable size, this will constrain the Investment Manager from implementing all of the investment decisions that it would like to for the Fund and/or the effect of charges and expenses may be higher than anticipated and the value of the investment consequently reduced. Also, in accordance with the relevant Instrument of Incorporation, a Fund may be liquidated if it does not reach assumed sustainable size and is no longer viable to operate.

Fair value pricing

Fair value pricing adjustments may be made to the price of an underlying asset of a Fund, at the absolute discretion of the Board of Directors, to reflect predicted changes in the last available price between the market close and the Valuation Point. There is, however, a risk that this predicted price is not consistent with the subsequent opening price of that security.

Fraud

A Fund's assets may be subject to fraud. This includes but is not limited to fraudulent acts at the sub-custodian level such that the sub-custodian does not maintain books and records that reflect the beneficial ownership of the Fund to its assets. Fraud may also arise with regards to counterparty default and/or fraudulent acts of other third parties.

Fund legal action

There is no certainty that any legal action taken by a Fund against its service providers, agents, counterparties or other third parties will be successful and Shareholders may not receive compensation in full or at all for any losses incurred. Recourse through the legal system can be lengthy, costly and protracted. Depending on the circumstances, a Fund may decide not to take legal action and/or the Fund may decide to enter into settlement negotiations which may or may not be successful.

Liabilities of each company and the funds

As explained in paragraph 2.2.1 of the Prospectus where, under the OEIC Regulations, each Fund within a Company is a segregated portfolio of assets and those assets can only be used to meet the liabilities of, or claims against, that Fund. Whilst the provisions of the OEIC Regulations provide for segregated liability between Funds in the same Company, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under foreign law contracts, it is not yet known whether a foreign court would give effect to the segregated liability and cross-investment provisions contained in the OEIC Regulations. Therefore, it is not possible to be certain that the assets of a Fund will always be completely insulated from the liabilities of another Fund in the same Company in every circumstance. However, for the avoidance of doubt there is no liability between Funds in different Companies.

Liquidity risk – shareholder activity

Subscriptions, conversions or redemptions of Shares in a Fund may have an impact on the other Shareholders of that Fund, which is commonly known as dilution or concentration.

To match subscriptions, conversions and redemptions of Shares from a Fund, assets may be bought or sold and such transactions may incur costs that the Fund must meet. Where a Fund is forced to buy or sell a significant volume of assets relative to the liquidity normally available in the market, it may affect the price at which those assets are bought or sold (and this may be different from the price at which they are valued), therefore having a dilutive or concentrative impact for the other Shareholders. In addition, the weighting of different holdings within the Fund may change, therefore altering the construction and composition of the Fund. The impact will vary to a lesser or greater extent depending on the volume of transactions, the purchase and sale price of the assets and valuation method used to calculate net asset value of the Fund.

The ACD may at its discretion, but always acting in the best interests of Shareholders, in times of severe illiquidity, utilise liquidity management tools including, without limitation, the power to defer redemptions and suspend dealing in the Shares of a Fund.

Securities lending

Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, a Fund engaged in securities lending transactions may lose money and there may be a delay in recovering the lent securities. A Fund could also lose money if it does not recover the securities and/or the value of the collateral falls, including the value of assets purchased with re-invested cash collateral.

A Fund's portfolio exposure to market risk will not change by engaging in securities lending. However, securities lending carries the specific market risk of the counterparty defaulting. To mitigate this risk, the Fund will receive collateral relating to its securities lending transactions in accordance with the ESMA Guidelines 2012/832. This collateral shall take any of the forms described under the ESMA Guidelines 2012/832.

In the event of default by the counterparty to a securities lending transaction, the collateral provided will need to be sold and the lent securities repurchased at the prevailing price, which may lead to a loss in value for the relevant Fund. There can therefore be no assurance that the relevant Fund's investment objectives will be achieved.

Securities lending also carries operational risks such as the non-settlement of instructions associated with securities lending. Such operational risks are managed by means of procedures, controls and systems implemented by the securities lending agent and the Fund.

Notes to the Financial Statements of the Company

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For the year ended 31 December 2018

3. Risk management policies (continued)

When engaging in securities lending, a Fund may be adversely impacted by conflicts of interest arising from the relationship of the counterparties to such transactions with the relevant investment manager or another member of the relevant investment manager's group of companies.

Tax

Tax laws may change without notice and may impose taxes on a retrospective basis. Taxes may be deducted at source without notice to a Fund and/or the Investment Manager. Tax charged may vary between Shareholders.

Third-party operational (including counterparty – service providers)

Each Fund's operations depend on third parties, either for the purpose of segregating duties, or due to delegation/outsourcing of functions by the Investment Manager. Investors in a Fund may suffer disruption or financial loss in the event of third-party operational failure.

Specific risks

Risks associated with debt investments

Contingent convertibles or CoCos

A Fund may invest in contingent convertibles (CoCos). CoCos are Tier 1 and Tier 2 subordinated debt securities issued by financial institutions. CoCos generally contain loss absorption mechanisms, or 'bail-in' clauses, to avoid public sector intervention to keep the issuer of such securities from insolvency or bankruptcy. Investors in CoCos may suffer losses prior to investors in the same financial institution holding equities or bonds ranking alongside or junior to the CoCo bond holders. CoCos tend to have higher price volatility and greater liquidity risk than other securities which do not expose investors to the aforementioned risks. Additionally, Shareholders should be aware that the structure of CoCos is yet to be tested and there is some uncertainty as to how they may perform in a stressed environment. Depending on how the market views certain triggering events, there is the potential for price contagion and volatility across the asset class. Furthermore, this risk may be increased depending on the level of underlying instrument arbitrage and in an illiquid market, price formation may be increasingly difficult.

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 the weaker the financial strength of the party. 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.

Distressed debt

A Fund may invest in distressed debt securities. Investment in such distressed debt securities (which qualify as transferable securities) involves purchases of obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganisation and liquidation proceedings. Acquired investments may include senior or subordinated debt securities, bank loans, promissory notes and other evidences of indebtedness, as well as payables to trade creditors. Although such purchases may result in significant investor returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these investments ordinarily remain unpaid unless and until the company reorganises and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganisation or similar action. In any reorganisation or liquidation proceeding relating to a company in which a Fund invests, an investor may lose its entire investment or may be required to accept cash or securities with a value less than the original investment. Under such circumstances, the returns generated from the investment may not compensate a Fund adequately for the risks assumed.

Investing in distressed debt can also impose duties on the Investment Manager which may conflict with duties which it owes to a Fund. A specific example of where the Investment Manager may have a conflict of interest is where it invests the assets of a Fund in a company in serious financial distress and where that investment leads to the Investment Manager investing further amounts of the Fund's assets in the company or taking an active role in managing or advising the company, or one of the Investment Manager's employees becomes a director or other officer of the company. In such cases, the Investment Manager or its employee may have duties to the company and/or its members and creditors which may conflict with, or not correlate with, the interests of the Shareholders of that Fund. In such cases, the Investment Manager may also have discretion to exercise any rights attaching to the Fund's investments in such a company. The Investment Manager will take such steps as it considers necessary to resolve such potential conflicts of interest fairly.

High yield debt securities

High yield debt securities, that is those that are rated BB+ by Standard & Poor's or Ba1 by Moody's or lower, or are unrated, are subject to greater risk of loss of income and principal due to default by the issuer than are higher-rated debt securities. It may also be more difficult to dispose of, or to determine the value of, high yield debt securities.

High yield debt securities rated BB+ or Ba1 or lower are described by the ratings agencies as 'predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions'.

Interest rate

The earnings or market value of a Fund may be affected by changes in interest rates. This risk can be particularly relevant for Funds holding fixed-rate debt securities (such as bonds), since their values may fall if interest rates rise. Furthermore, Funds holding fixed-rate debt securities with a long time until maturity may be more sensitive to changes in interest rates than shorter-dated debt securities, for example a small rise in long-term interest rates may result in a more than proportionate fall in the price of a long-dated debt security.

Investment grade

The price of securities involved in initial public offerings are often subject to greater and more unpredictable price changes than more established securities.

Money market instrument

Money market instruments in which a Fund invests are subject to the solvency of the underlying issuer. The buying and selling of money market instruments is exposed to liquidity constraints in the market.

While every effort will be made to maintain the capital value of the Fund, there is no guarantee that this will be the case as a loss made on an instrument held by the Fund could reduce the capital value of the Fund.

Mortgage backed and other asset backed securities

Mortgage backed

A mortgage-backed security is a generic term for a debt security backed or collateralised by the income stream from an underlying pool of commercial and/or residential mortgages. This type of security is commonly used to redirect the interest and principal payments from the pool of mortgages to investors. A mortgage-backed security is normally issued in a number of different classes with varying characteristics depending on the riskiness of the underlying mortgages assessed by reference to their credit quality and term and can be issued at a fixed or a floating rate of securities. The higher the risk contained in the class, the more the mortgage-backed security pays by way of income.

Notes to the Financial Statements of the Company

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For the year ended 31 December 2018

3. Risk management policies (continued)

Asset backed

Traditional debt securities typically pay a fixed rate of interest until maturity, when the entire principal amount is due. By contrast, payments on asset-backed securities (ABS) typically include both interest and partial payment of principal. Principal may also be prepaid voluntarily, or as a result of refinancing or forced repayment. A Fund may have to invest the proceeds from prepaid investments under less attractive terms and yields. Compared to other debt, ABS are less likely to increase in value during periods of declining interest rates and have a higher risk of decline in value during periods of rising interest rates and they can increase the volatility of a Fund. Some ABS receive only portions of payments of either interest or principal of the underlying debt. The yields and values of these investments are extremely sensitive to changes in interest rates and in the rate of principal payments on the underlying mortgages. The market for these investments may be volatile and illiquid, which may make it difficult to buy or sell them, and the secondary market may be smaller than that for more traditional debt securities.

CDOs/CLOs

Collateralised Debt Obligations (CDOs) represent a participation in, or are secured by, a pool of fixed or floating rate debt obligations. CDOs are issued in separate classes with different stated maturities that may have different credit and investment profiles. As the debt pool experiences prepayments, the pool pays off investors in classes with shorter maturities first. Prepayments may cause the actual maturity of a CDO to be substantially shorter than its stated maturity. Conversely, slower than anticipated prepayments can extend the effective maturities of CDOs, subjecting them to a greater risk of decline in market value in response to rising interest rates than traditional debt securities, and, therefore, potentially increasing their volatility. CDOs and other instruments with complex or highly variable prepayment terms generally entail greater market, prepayment and liquidity risks than other asset backed securities (ABS). CDOs are generally subject to each of the risks discussed under asset-backed (ABS) securities.

Risks associated with derivative instruments

Cash flow

A Fund may have insufficient cash to meet the margin calls necessary to sustain its position in a derivatives contract. This may result in the Fund having to close a position (or sell other securities to raise the cash) at a time and/or on terms that it may otherwise not have done. This could lead to capital losses for the Fund.

Credit default swaps and other synthetic securities

A portion of a Fund's investments may consist of credit default swaps and other synthetic securities the reference obligations of which may be leveraged loans, high-yield debt securities or similar securities. Investments in such types of assets through the purchase of credit default swaps and other synthetic securities present risks in addition to those resulting from direct purchases of such investments. With respect to each synthetic security, a Fund will usually have a contractual relationship only with the counterparty of such synthetic security, and not the reference obligor on the reference obligation. A Fund generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, may be subject to set-off rights exercised by the reference obligor against the counterparty or another person or entity, and generally will not have any voting or other contractual rights of ownership with respect to the reference obligation. In addition, a Fund will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of the insolvency of the counterparty, a Fund will be treated as a general creditor of such counterparty, and will not have any claim with respect to the reference obligation. Consequently, a Fund will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities entered into with any one counterparty will subject a Fund to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

Additionally, while the Investment Manager expects that the returns on a synthetic security will generally reflect those of the related reference obligation, as a result of the terms of the synthetic security and the assumption of the credit risk of the synthetic security counterparty, a synthetic security may have a different expected return, a different (and potentially greater) probability of default and expected loss characteristics following a default, and a different expected recovery following default. Additionally, when compared to the reference obligation, the terms of a synthetic security may provide for different maturities, distribution dates, interest rates, interest rate references, credit exposures, or other credit or non-credit related characteristics. Upon maturity, default, acceleration or any other termination (including a put or call) other than pursuant to a credit event (as defined therein) of the synthetic security, the terms of the synthetic security may permit or require the issuer of such synthetic security to satisfy its obligations under the synthetic security by delivering to the relevant Fund securities other than the reference obligation or an amount different than the then current market value of the reference obligation.

Derivative basis

The value of a derivative typically depends on the value of an underlying asset. The value of the derivative may not be 100% correlated with the value of the underlying asset and therefore a change in the value of the asset may not be matched by a proportionate corresponding change in the value of the derivative.

Derivatives

The use of derivatives may lead to large changes in the value of a Fund and includes the potential for large financial loss.

Exchange derivatives

Futures contracts may have restricted liquidity due to certain exchanges limiting fluctuations in certain futures contract prices during a single day by regulations referred to as 'daily price fluctuation limits' or 'daily limits'. These prevent trades from being executed at prices beyond the daily limits during a single trading day. Also, once the price of a contract for a futures contract has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit.

Leverage

Where a Fund uses derivatives to create aggregate exposure that is greater than its net assets, this may lead to potentially large financial loss. This also creates the effect that the Fund will have greater exposure to certain risks that are associated with the use of derivatives (e.g. Counterparty Risk – Trading, OTC Derivatives Risk and market risk).

OTC derivative instruments

In general, there is less government regulation and supervision of transactions in OTC markets than of transactions entered into on organised exchanges. OTC derivatives are executed directly with the counterparty rather than through a recognised exchange and clearing house. Counterparties to OTC derivatives are not afforded the same protections as may apply to those trading on recognised exchanges, such as the performance guarantee of a clearing house.

Investments in OTC derivatives may be subject to the risk of differing valuations arising out of different permitted valuation methods. Although the Fund has implemented appropriate valuation procedures to determine and verify the value of OTC derivatives, certain transactions are complex and valuation may only be provided by a limited number of market participants who may also be acting as the counterparty to the transactions.

OTC derivatives expose a Fund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not that dispute is valid) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Investors should also refer to the risk factor Counterparty Risk – Trading.

Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the relevant Fund. The value of the collateral may fluctuate, however, and it may be difficult to sell (in the case of non-cash collateral), so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to the relevant Fund.

Notes to the Financial Statements of the Company

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For the year ended 31 December 2018

3. Risk management policies (continued)

The Funds may enter into OTC derivatives cleared through a clearing house that serves as a central counterparty. Central clearing is designed to reduce counterparty risk and increase liquidity compared to bilaterally-cleared OTC derivatives, but it does not eliminate the risk completely. The central counterparty will require margin from the clearing broker which will in turn require margin from the relevant Fund. There is a risk of loss by a Fund of its initial and variation margin deposits in the event of default of the clearing broker with which the Fund has an open position or if margin is not identified and correctly reported to the relevant Fund, in particular where margin is held in an omnibus account maintained by the clearing broker with the central counterparty. In the event that the clearing broker becomes insolvent, the Fund may not be able to transfer or 'port' its positions to another clearing broker.

EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation or EMIR) requires certain eligible OTC derivatives to be submitted for clearing to regulated central clearing counterparties and the reporting of certain details to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor and mitigate operational and counterparty risk in respect of OTC derivatives which are not subject to mandatory clearing. Ultimately, these requirements are likely to include the exchange and segregation of collateral by the parties, including by the Fund. While some of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods and certain key issues have not been finalised by the date of this Prospectus.

It is as yet unclear how the over-the-counter financial derivative instruments market will adapt to the new regulatory regime. The collateral, reporting and clearing requirements under EMIR, compliance with rules, regulations promulgated and other legislation in other jurisdictions may increase costs to the Funds and may impact performance. The full impact that such legislation will ultimately have on the Funds and the markets in which they trade and invest is not fully known. Such uncertainty may itself be detrimental to the efficient functioning of the markets and the success of certain investment strategies. Any changes to current regulations or any new regulations applicable to the Funds could have a materially adverse effect on the Funds.

Short exposure

Where a Fund uses derivatives to create short exposure there is potential for gains to be made when the underlying securities are falling in value, but a loss could be incurred when the underlying security is rising in value. This means the Fund's performance will be less closely related to the performance of the type of assets in which it will ordinarily invest.

Risks associated with emerging market investments

China Interbank Bond Market

The China Interbank Bond Market ('CIBM') is an OTC market (i.e. trades are conducted directly between the buyer and the seller and not on an exchange) that operates outside of the two main stock exchanges in China. On the CIBM, institutional investors trade sovereign, government and corporate bonds.

The main debt instruments traded on the CIBM include government bonds, bond repo, bond lending, People's Bank of China ('PBOC') bills, and other financial debt instruments.

The CIBM is regulated and supervised by the PBOC. The PBOC is responsible for, among other things, establishing listing, trading, functioning rules applying to the CIBM and supervising the market operators of the CIBM.

Counterparty and liquidity risk are particularly relevant to trading on the CIBM.

Settlement risk

There are various transaction settlement methods in the CIBM, which involve varying degrees of risk. Although the Investment Manager may be able to negotiate terms which are favourable to the Funds (e.g. requiring simultaneous delivery of security and payment), there is no assurance that settlement risks can be eliminated. Where the counterparty does not perform its obligations under a transaction, the Funds will sustain losses.

Risks in relation to RMB fixed income securities using the CIBM Direct Access

The CIBM Direct Access is the PRC investment program revised in 2016 under which certain foreign institutional investors such as the Funds may invest, without particular license or quota, directly in RMB fixed income securities dealt on the CIBM via an onshore bond settlement agent (the 'Bond Settlement Agent').

CIBM Direct Access rules and regulations

Participation in the CIBM Direct Access by foreign institutional investors (such as the Funds) is governed by rules and regulations set by the Mainland Chinese authorities, i.e. the PBOC and the State Administration of Foreign Exchange in China. Such rules and regulations may be amended from time to time (with retrospective effect).

The CIBM Direct Access rules and regulations are relatively new. The application and interpretation of such investment regulations are therefore relatively untested and there is no certainty as to how they will be applied as the PRC authorities and regulators have been given wide discretion in such investment regulations and there is no precedent or certainty as to how such discretion may be exercised now or in the future. In addition, there can be no assurance that the CIBM Direct Access rules and regulations will not be abolished in the future. Funds, which invest in the PRC markets through the CIBM Direct Access, may be adversely affected as a result of any such changes or abolition.

Restrictions to remittances and repatriations risk

Certain restrictions may be imposed by the PRC authorities on investors participating in the CIBM Direct Access and/or the Bond Settlement Agent which may have an adverse effect on the Funds' liquidity and performance. Repatriations (moving cash offshore from Mainland China) conducted in RMB are currently permitted daily and are not subject to repatriation restrictions (such as lock-up periods) or prior approval. There is no assurance, however, that PRC rules and regulations will not change or that repatriation restrictions will not be imposed in the future. It should also be noted that the actual time required for the completion of the relevant repatriation will be beyond the Investment Manager's control should such restrictions be imposed.

Securities and cash accounts

Onshore PRC securities are registered in accordance with the relevant rules and regulations and maintained by the Bond Settlement Agent. Onshore cash will be maintained on a cash account with the Bond Settlement Agent.

Beneficial ownership of RMB securities should be acquired by a Fund through CIBM Direct Access. However, beneficial ownership is an untested concept in the PRC.

Investors should note that cash deposited in the cash account of the Funds with the Bond Settlement Agent will not be segregated but will be a debt owing from the Bond Settlement Agent to the Funds as a depositor. Such cash will be co-mingled with cash belonging to other clients of the Bond Settlement Agent. In the event of bankruptcy or liquidation of the Bond Settlement Agent, the Funds will not have any proprietary rights to the cash deposited in such cash account, and the Funds will become unsecured creditors, ranking on equal footing with all other unsecured creditors, of the Bond Settlement Agent. The Funds may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Funds will suffer losses.

Bond settlement agent risk

There is a risk that the Funds may suffer losses, whether direct or consequential, from the acts or omissions in the settlement of any transaction or in the transfer of funds or securities, default, bankruptcy or disqualification of the Bond Settlement Agent.

Notes to the Financial Statements of the Company

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For the year ended 31 December 2018

3. Risk management policies (continued)

Such acts, omissions, default or disqualification may also adversely affect the Funds in implementing their investment strategies or disrupt the operations of the Funds, including causing delays in the settlement of any transaction.

In addition, the PBOC is vested with the power to impose regulatory sanctions if the Bond Settlement Agent violates any provision of the CIBM Direct Access rules. Such sanctions may adversely impact on the investment by the Funds through the CIBM Direct Access.

China tax

In common with other Funds, income and gains derived from China may be subject to withholding tax and VAT and relevant surcharges on the VAT. The interpretation and applicability of existing Chinese tax laws may not be as consistent and transparent as those of more developed nations, and may vary from region to region. There is a possibility that the current tax laws, regulations, and practice in China may be changed with retrospective effect in the future. Moreover, there is no assurance that tax incentives currently offered to foreign companies, if any, will not be abolished and the existing tax laws and regulations will not be revised or amended in the future. Any of these changes may reduce the income from, and/or value of, the Funds' investments. The Chinese government has implemented a number of tax reform policies in recent years. The current tax laws and regulations may be revised or amended in the future. Any revision or amendment in tax laws and regulations may affect the after-tax profit of Chinese companies and foreign investors in such companies, such as the Funds. There can be no guarantee that future tax laws, regulations, and practice in China will not adversely impact the tax exposure of the Funds and/or their Shareholders.

The ACD considers that the Funds should be regarded as a UK tax resident and should be able to enjoy a tax exemption on capital gains under the UK-China double tax treaty, although there is no guarantee that the Chinese tax authorities will provide tax treaty relief.

In light of the legal and regulatory uncertainties in China, the Funds reserve the right to make any provision for taxes or to deduct or to withhold an amount on account of taxes (which may be payable by the Funds to the Chinese tax authorities in respect of its investments in China) from assets of the Funds. The amount of provision (if any) will be disclosed in the financial statements of the Funds. In this regard, the Funds have determined that no tax provision will be made on the capital gains derived from PRC investments. Any provision for taxes made by the Funds may be more or less than the Funds' actual Chinese tax liabilities. If the Funds do not set aside enough to meet these tax obligations, then the shortfall may be debited from the Funds' assets to meet its actual Chinese tax liabilities. As a result, the income from, and/or the performance of the Funds may be reduced/adversely affected. The degree of impact on individual Shareholders may vary depending on whether or not the price they paid or received for Shares reflected any difference between the amount the Funds set aside for tax and their actual tax liabilities.

China Interbank Bond Market

The Chinese tax authorities have granted VAT exemption on the capital gains derived by qualified non PRC tax residents from the investments through the China Interbank Bond Market with effective from 1 May 2016. Except for the above, there is no specific regulation stipulating the relevant PRC tax treatment including the VAT treatment as well as the withholding tax treatment on the bond interest income and gains derived from the China Interbank Bond Market.

Emerging markets

Emerging Markets investments may be more volatile and less liquid than investments in developed markets and the investments of a Fund 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.

Investment in China

Investments in China are particularly exposed to China's economic, social and political system, which may behave differently to other markets, and investments in China may be harder to assess for suitability or risk. China has enjoyed significant economic prosperity in recent years but continued growth cannot be assumed and a decline in China's economic performance may affect a Fund's investment.

Investments in China are subject to State-imposed restrictions, including the operation of trading quotas and currency management; while other State and regulatory intervention may be more unpredictable or intrusive than in other markets. China's laws and regulations relating to securities (including surrounding taxation) are new and evolving, their application is subject to uncertainty, and they may be subject to change in the future. Investments in China may be subject to greater or more frequent rises and falls in value than other markets and may be harder or impossible to buy or sell.

Accounting and auditing standards in China may also be less rigorous than their international equivalents and this could result in investments being overvalued. Investments held by Chinese brokers may be mixed with other investors' assets or subject to lower safekeeping standards than investments held domestically, which could lead to delays in payment or losses should the broker become insolvent. Chinese investments are denominated in Renminbi and its value may fluctuate widely from other international currencies.

Other applicable risks:

Investors should also note the following risk factors, which may be applicable to the Funds, each of which is described in more detail in this Appendix VII of the Prospectus: Accounting, Emerging Markets, Equity Investment, Exchange Rates, Market Action, Market Closure, Political, Settlement and Custody and Tax.

RQFII risk

Certain Funds (the 'RQFII Funds') may invest in securities issued in Mainland China in accordance with their investment objective and policies. Other than risks involved in investments made on a worldwide basis and in emerging markets, as well as other risks of investments generally as described elsewhere in this Appendix VII which are applicable to investments in China, investors in the RQFII Funds should note the additional specific risks below.

Custody risk for investment in China:

The Investment Manager (in its capacity as an RQFII) and the Depositary have appointed HSBC China (the 'RQFII Local Custodian') as custodian to maintain the RQFII Funds' assets in custody in China, pursuant to relevant laws and regulations. Chinese securities are registered in accordance with these rules and regulations, and maintained by the RQFII Local Custodian in electronic form via a securities account with the China Securities Depository and Clearing Corporation Limited and cash shall be maintained in a cash account with the RQFII Local Custodian. The Depositary will make arrangements to ensure that the RQFII Local Custodian has appropriate procedures in place to properly safe-keep the RQFII Fund's assets including maintaining records that clearly show that such RQFII Fund's assets are recorded in the name of that RQFII Fund and segregated from the other assets of the RQFII Local Custodian.

Investors should note that cash deposited in the cash account of a RQFII Fund with the RQFII Local Custodian will not be segregated but will be a debt owing from the RQFII Local Custodian to that RQFII Fund as a depositor. Such cash will be co-mingled with cash that belongs to other clients or creditors of the RQFII Local Custodian. In the event of bankruptcy or liquidation of the RQFII Local Custodian, a RQFII Fund will not have any proprietary rights to the cash deposited in such cash account, and that RQFII Fund will become an unsecured creditor, ranking pari passu with all other unsecured creditors, of the RQFII Local Custodian. The RQFII Fund may face difficulty and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the RQFII Fund will suffer losses.

Notes to the Financial Statements of the Company

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For the year ended 31 December 2018

3. Risk management policies (continued)

RQFII regime risk:

Under current Chinese laws and regulations, the RQFII Fund's investments in the Chinese securities can only be made by or through an RQFII, within certain investment quota as approved under and subject to applicable Chinese regulatory requirements. The RQFII regime is governed by rules and regulations as promulgated by the Mainland Chinese authorities.

Neither the Companies nor the RQFII Funds are themselves RQFIIs, but they may obtain access to the Chinese domestic securities market using the Investment Manager's RQFII quota.

Investors should note that RQFII status could be suspended or revoked at any time, which may have an adverse effect on an RQFII Fund's performance as the Fund may be required to dispose of its securities holdings over a short period. In addition, certain restrictions imposed by the Chinese government on RQFIIs may have an adverse effect on an RQFII Fund's liquidity and performance.

The State Administration of Foreign Exchange in China ('SAFE') regulates and monitors the repatriation of funds out of China by an RQFII. Repatriations by RQFIIs in respect of an open-ended fund (such as the RQFII Funds) conducted in Renminbi are currently not subject to repatriation restrictions or prior approval, although authenticity and compliance reviews will be conducted, and monthly reports on remittances and repatriations will be submitted to SAFE by the RQFII Local Custodian. There is no assurance, however, that the Chinese rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Any restrictions on repatriation of the invested capital and net profits may impact on an RQFII Fund's ability to meet redemption requests from Shareholders. Furthermore, as the RQFII Local Custodian's review on authenticity and compliance is conducted on each repatriation, the repatriation may be delayed or even rejected by the RQFII Local Custodian in case of non-compliance with the RQFII rules and regulations. In such case, it is expected that redemption proceeds will be paid to the redeeming Shareholder as soon as practicable and after the completion of the repatriation of funds concerned. It should be noted that the actual time required for the completion of the relevant repatriation will be beyond the Investment Manager's control.

RQFII quotas are generally granted to an RQFII. The rules and restrictions under the RQFII regulations generally apply to the RQFII as a whole and not simply to the investments made by an RQFII Fund. It is provided in the RQFII Measures that the size of the quota may be reduced or cancelled by the SAFE if the RQFII is unable to use its RQFII quota effectively within one year following the quota being granted. If the SAFE reduces the RQFII's quota, it may affect the Investment Manager's ability to effectively pursue the investment strategy of an RQFII Fund. The SAFE may impose regulatory sanctions if the RQFII or the RQFII Local Custodian violates any provision of the RQFII Measures. Any violations could result in the revocation of the RQFII's quota or other regulatory sanctions and may adversely impact on the portion of the RQFII's quota made available for investment by an RQFII Fund.

Investors should note that there can be no assurance that an RQFII will continue to maintain its RQFII status or to make available its RQFII quota, or that an RQFII Fund will be allocated a sufficient portion of RQFII quota from a RQFII to meet all applications for subscription into an RQFII Fund, or that redemption requests can be processed in a timely manner due to repatriation restrictions or adverse changes in relevant laws or regulations. Such factors may restrict the ability to process subscriptions and/or redemptions in a timely manner. In extreme circumstances, an RQFII Fund may incur significant losses due to insufficiency of RQFII quota, limited investment capabilities, or inability to fully implement or pursue its investment objective or strategy due to RQFII investment restrictions, illiquidity of the Chinese domestic securities market, and/or delay or disruption in execution of trades or in settlement of trades.

The current RQFII regulations are subject to change, which may take retrospective effect. In addition, there can be no assurance that the RQFII regulations will not be abolished. An RQFII Fund, which invests in the Chinese domestic securities markets, may be adversely affected as a result of such changes.

Stock Connect

To the extent that a Fund's investments in China are dealt via Hong Kong Shanghai Stock Connect or Shenzhen Stock Connect ('Stock Connect'), such dealing will be subject to additional risk factors.

Stock Connect is a relatively new trading programme, therefore the relevant rules and regulations are untested and subject to change. Since investments through Stock Connect are subject to certain restrictions (including trading day restrictions, pre-trade checking, eligibility of stock, quota limits and daily trade quotas), investments may be subject to greater or more frequent rises and falls in value and may be harder to buy or sell.

Under Stock Connect, overseas investors such as the investing Funds may invest directly in certain China A shares listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange ('Stock Connect Shares'). The Funds trade Stock Connect Shares through brokers who are Hong Kong Stock exchange participants.

Stock Connect Shares purchased through Stock Connect are uncertified and held in accounts in the Hong Kong Central Clearing and Settlement System maintained by the Hong Kong Securities and Clearing Corporation Limited ('HKSCC'), the central securities depository in Hong Kong. HKSCC in turn holds the legal title to the Stock Connect Shares of all its participants through a nominee omnibus securities account in its name, registered with ChinaClear, the central securities depository in China.

A failure or delay by the HKSCC in the performance of its obligations may result in a failure of settlement, or the loss, of Stock Connect Shares and/or monies in connection with them and the Funds may suffer losses as a result.

Foreign investors like the Funds investing through the Stock Connect remain beneficial owners of the Stock Connect Shares and are only eligible to exercise their rights to the Stock Connect Shares in China through the HKSCC nominee.

In the event of a default of ChinaClear, HKSCC through its nominee is likely to seek to recover any outstanding Stock Connect Shares on behalf of the Funds from ChinaClear through available legal channels but it is not obligated to do so. If HKSCC does not enforce claims against ChinaClear the Fund may not be able to recover all of its Stock Connect Shares.

Trading under Stock Connect will not be covered by Hong Kong's Investor Compensation Fund nor the China Securities Investor Protection Fund.

Investors should also consider the Investment in China detailed in Appendix VII of the Prospectus which applies to investment in China.

Risks associated with equity investments

Discount/Premium

From time to time the prices of closed ended investment company shares can trade at either a premium or discount to their underlying value. This can create volatility in the price of a Fund that invests in closed ended investment company shares in excess of the volatility of the underlying markets in which the investment trust invests in and this consequently poses a greater risk to capital.

Equity investment

The value of equities and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default, the owners of their equity rank last in terms of any financial payment from that company.

Smaller companies

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.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2018

3. Risk management policies (continued)

Risks associated with investment strategy

Concentration

A Fund which invests in a concentrated portfolio of holdings may be more volatile than more broadly diversified funds.

Income priority

Where a Fund gives priority to income over capital growth this may constrain the rate of future capital and income growth. In addition, this distribution policy may have tax implications for any investment in the Shares. If in doubt, please consult a tax adviser.

Multi-asset investment

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.

Risk of higher Ongoing Charges when investing in funds

Where a Fund invests in other UCITS and/or UCIs, there may be additional costs of investing in these UCITS/UCIs which may increase the TER and/or Ongoing Charges.

Sector and/or geographical

A Fund that restricts investment to a small number of related sectors and/or geographical locations may decline even while broader based market indices are rising.

Furthermore, investments which offer exposure to commodities may include additional risks e.g. political risk, natural events or terrorism. This may influence the production and trading of commodities and the value of financial instruments offering exposure to such commodities.

American Franchise Fund

Concentration

Derivatives

Equity Investment

Sector and/or Geographical

Asia Pacific Franchise Fund

Investment in China

Derivatives

Emerging Markets

Equity Investment

Sector and/or Geographical

Stock Connect

Global Energy Fund

Investment in China

Derivatives

Equity Investment

Sector and/or Geographical

Smaller Companies

Stock Connect

Global Strategic Equity Fund

Investment in China

Derivatives

Equity Investment

Stock Connect

Global Total Return Credit Fund

Contingent Convertibles or CoCos

Credit

Credit Default Swaps and Other Synthetic Securities

Derivatives

Distressed Debt

Emerging Markets

High Yield Debt Securities

Investment Grade

Leverage

Mortgage Backed and Other Asset Backed Securities

OTC Derivative Instruments

Monthly High Income Fund

Investment in China

China Interbank Bond Market

China tax

CIBM Direct Access

Contingent Convertibles or CoCos

Credit

Credit Default Swaps and Other Synthetic Securities

Derivatives

High Yield Debt Securities

Income Priority

Interest Rate

Leverage

Mortgage Backed and Other Asset Backed Securities

OTC Derivative Instruments

Interest Rate

Leverage

Mortgage Backed and Other Asset Backed Securities

OTC Derivative Instruments

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2018

3. Risk management policies (continued)

Sensitivity analysis

The table below shows the Funds' 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.

	FTSE All-Share Index	MSCI World Index	Bank of America Merrill Lynch Global High Yield Constrained GBP hedged (from 01.11.2015)
2018*			
American Franchise Fund	0.82	1.04	1.96
Asia Pacific Franchise Fund	0.93	0.83	1.32
Global Energy Fund	1.64	1.10	3.87
Global Strategic Equity Fund	0.99	1.08	3.05
Global Total Return Credit Fund	n/a	n/a	n/a
Monthly High Income Fund	0.11	0.12	0.84

	FTSE All-Share Index	MSCI World Index	Bank of America Merrill Lynch Global High Yield Constrained GBP hedged (from 01.11.2015)
2017**			
American Franchise Fund	0.28	1.06	(0.31)
Asia Pacific Franchise Fund	0.74	1.30	0.45
Global Energy Fund	0.59	(0.11)	(0.74)
Global Strategic Equity Fund	0.54	0.88	0.58
Global Total Return Credit Fund	n/a	n/a	n/a
Monthly High Income Fund	0.03	(0.04)	1.02

* Source: Lipper 01.01.18 – 31.12.18 using monthly sub-periods for class 'I' accumulation shares.

** Source: Lipper 01.01.17 – 31.12.17 using monthly sub-periods for class 'I' accumulation shares.

Past performance is not a guide to future performance.

4. 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 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.

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

K. McFarland

Director of the ACD

12 March 2019

D. Aird

Director of the ACD

American Franchise Fund

Statement of Total Return

For the year ended 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Income					
Net capital gains	4		8,953		12,085
Revenue	6	2,047		2,061	
Expenses	7	(1,829)		(1,680)	
Interest payable and similar charges		–		(10)	
Net revenue before taxation		218		371	
Taxation	8	(189)		(258)	
Net revenue after taxation			29		113
Total return before distribution			8,982		12,198
Distribution	9		(322)		(293)
Change in net assets attributable to shareholders from investment activities			8,660		11,905

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Opening net assets attributable to shareholders		142,991		122,548
Amounts receivable on creation of shares	60,560		39,438	
Amounts payable on cancellation of shares	(34,645)		(31,213)	
		25,915		8,225
Change in net assets attributable to shareholders from investment activities		8,660		11,905
Retained distributions on accumulation shares		401		313
Closing net assets attributable to shareholders		177,967		142,991

Notes to the financial statements are on pages 69 to 73.

Balance Sheet

As at 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
ASSETS					
Investments assets			168,358		135,134
Current assets					
Debtors	10	1,163		524	
Cash and bank balances		9,782		7,497	
Total other assets			10,945		8,021
Total assets			179,303		143,155
LIABILITIES					
Creditors					
Bank overdrafts		153		–	
Other creditors	11	1,183		164	
Total liabilities			1,336		164
Net assets attributable to shareholders			177,967		142,991

Notes to the financial statements are on pages 69 to 73.

American Franchise Fund

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 56.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 57.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 57 to 67.

4. Net capital gains

The net capital gains during the year comprise:

	31.12.18 £'000	31.12.17 £'000
Gains/(losses) on foreign exchange	748	(667)
Forward currency contracts	(29)	–
Non-derivative securities	8,235	12,760
Transaction charges	(1)	(8)
Net capital gains	8,953	12,085

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.18 £'000	31.12.17 £'000	31.12.18 £'000	31.12.17 £'000
Equities	39,283	151,805	14,307	141,032
Trades excluding transaction costs	39,283	151,805	14,307	141,032
Commissions				
Equities	10	25	(2)	(15)
Taxes				
Equities	2	41	–	(3)
Total costs	12	66	(2)	(18)
Net trades in the year after transaction costs	39,295	151,871	14,305	141,014

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.18 %	31.12.17 %	31.12.18 %	31.12.17 %
Commissions				
Equities	0.03	0.02	0.02	0.01
Taxes				
Equities	0.01	0.03	–	–

Total transaction cost expressed as a percentage of average net asset value

	31.12.18 %	31.12.17 %
Commissions	0.01	0.03
Taxes	–	0.03
Total costs	0.01	0.06

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.03% (31.12.17: 0.02%).

6. Revenue

	31.12.18 £'000	31.12.17 £'000
Bank interest	148	34
Overseas dividends	1,644	1,928
UK dividends	255	99
Total revenue	2,047	2,061

American Franchise Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

7. Expenses

	31.12.18 £'000	31.12.17 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	1,714	1,569
General administration charge (GAC)	107	103
	1,821	1,672
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	13	15
	13	15
Other expenses:		
VAT refund	(5)	(7)
	(5)	(7)
Total expenses	1,829	1,680

Please refer to the Prospectus for a full description of expenses covered by the GAC.

The audit fee for the year is £8,000 (31.12.17: £8,000).

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

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

	31.12.18 £'000	31.12.17 £'000
Overseas tax	189	258
Current tax charge	189	258
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	189	258

(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%) (31.12.17: 20%). The differences are explained below:

	31.12.18 £'000	31.12.17 £'000
Net revenue before taxation	218	371
Corporation tax of 20%	44	74
Effects of:		
Movement in excess management expenses	336	331
Overseas tax	189	258
Revenue not subject to taxation	(380)	(405)
Total tax charge (note 8(a))	189	258

(c) Provision for deferred taxation:

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

(d) Factors affecting future tax charge:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £7,171,000 (2017: £6,835,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

9. Distribution

The Distribution take account of equalisation received on the creation of shares and deducted on the cancellation of shares, and comprises:

	31.12.18 £'000	31.12.17 £'000
Final	401	313
Add: Equalisation deducted on cancellation of shares	24	48
Less: Equalisation received on creation of shares	(103)	(68)
Net distribution for the year	322	293

The net distribution for the year is represented by:

	31.12.18 £'000	31.12.17 £'000
Net revenue after taxation	29	113
Equalisation on conversion of shares	–	2
Shortfall of income transferred from capital	293	178
Net distribution for the year	322	293

10. Debtors

	31.12.18 £'000	31.12.17 £'000
Accrued dividends and bank interest	234	192
Amounts receivable for creation of shares	900	330
Overseas tax recoverable	26	–
Unrealised currency hedge	3	2
	1,163	524

11. Other creditors

	31.12.18 £'000	31.12.17 £'000
Amounts payable for cancellation of shares	227	12
Purchases awaiting settlement	784	–
Accrued ACD fees	155	140
Accrued general administration charge (GAC)	10	9
Accrued safe custody fee	7	3
	1,183	164

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.17: Nil).

13. 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 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, 11 and 15 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 11.

14. Dilution adjustment

Please refer to note 4 of the Notes to the Financial Statements of the Company for a detailed description of dilution adjustment.

American Franchise Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

15. ACD fee and charges

The different level of ACD fees payable per annum as at 31 December 2018 for each share class is detailed below:

'A' Shares	1.50%
'B' Shares	1.25%
'I' Shares	0.75%
'R' Shares	1.00%
'S' Shares	0.00%

The GAC is charged at up to 0.08% of the Net Asset Value of each share class.

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

Reconciliation of the shares movement in the year:

	31.12.17 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.18 Closing shares in issue
'A' Class (Accumulation shares)	21,054,382	3,173,076	(6,347,847)	(39,098)	17,840,513
'A' Class (GBP Hedged Accumulation shares)	128,895	107,053	(70,770)	–	165,178
'A' Class (USD Accumulation shares)	106,859	–	(52,729)	–	54,130
'B' Class (Accumulation shares)	2,237,827	6,902	(155,390)	(5,408)	2,083,931
'I' Class (Accumulation shares)	23,965,409	17,882,893	(3,445,314)	29,082	38,432,070
'R' Class (Accumulation shares)	124,188	4,198	(74,173)	37,590	91,803
'S' Class (Accumulation shares)	1,312,035	554,040	(328,904)	–	1,537,171

16. Risk consideration

Please refer to note 3 of the 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 2018 was:

Currency	Currency exposure	
	Total 31.12.18 £'000	Total 31.12.17 £'000
Sterling	16,076	8,124
Swiss Franc	4,326	4,450
US Dollar	157,565	130,417
Total	177,967	142,991

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 risk is not considered to be significant.

17. Fair value

Valuation technique	31.12.18		31.12.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	168,358	–	135,134	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total fair value	168,358	–	135,134	–

The three levels of the fair value hierarchy under FRS 102 are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

American Franchise Fund

Distribution Table

For the year ended 31 December 2018

Final distribution payable 28 February 2019

Group 1 – Shares purchased before 1 January 2018

Group 2 – Shares purchased between 1 January and 31 December 2018

	Net Income pence	Equalisation pence	Distribution payable 28.02.19 pence	Distribution paid 28.02.18 pence
'A' Class (Accumulation shares)				
Group 1	–	–	–	–
Group 2	–	–	–	–
'A' Class (GBP Hedged Accumulation shares)				
Group 1	–	–	–	–
Group 2	–	–	–	–
'B' Class (Accumulation shares)				
Group 1	–	–	–	0.0037
Group 2	–	–	–	0.0037
'I' Class (Accumulation shares)				
Group 1	0.9083	–	0.9083	1.1212
Group 2	0.3989	0.5094	0.9083	1.1212
'R' Class (Accumulation shares)				
Group 1	0.1289	–	0.1289	0.5682
Group 2	0.1261	0.0028	0.1289	0.5682
'S' Class (Accumulation shares)				
Group 1	3.3992	–	3.3992	3.3479
Group 2	1.8178	1.5814	3.3992	3.3479

	Net Income US cent	Equalisation US cent	Distribution payable 28.02.19 US cent	Distribution paid 28.02.18 US cent
'A' Class (USD Accumulation shares)				
Group 1	–	–	–	–
Group 2	–	–	–	–

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 Pacific Franchise Fund

Statement of Total Return

For the year ended 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Income					
Net capital (losses)/gains	4		(23,295)		67,313
Revenue	6	3,015		5,365	
Expenses	7	(2,001)		(2,424)	
Interest payable and similar charges		(1)		(4)	
Net revenue before taxation		1,013		2,937	
Taxation	8	(121)		(382)	
Net revenue after taxation			892		2,555
Total return before distribution			(22,403)		69,868
Distribution	9		(894)		(2,558)
Change in net assets attributable to shareholders from investment activities			(23,297)		67,310

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Opening net assets attributable to shareholders		208,012		168,139
Amounts receivable on creation of shares	7,467		49,876	
Amounts payable on cancellation of shares	(50,193)		(79,382)	
		(42,726)		(29,506)
Dilution adjustment		–		84
Change in net assets attributable to shareholders from investment activities		(23,297)		67,310
Retained distributions on accumulation shares		783		1,985
Closing net assets attributable to shareholders		142,772		208,012

Notes to the financial statements are on pages 75 to 79.

Balance Sheet

As at 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
ASSETS					
Investments assets			138,365		204,022
Current assets					
Debtors	10	77		87	
Cash and bank balances		4,799		4,499	
Total other assets			4,876		4,586
Total assets			143,241		208,608
LIABILITIES					
Creditors					
Other creditors	11	469		596	
Total liabilities			469		596
Net assets attributable to shareholders			142,772		208,012

Notes to the financial statements are on pages 75 to 79.

Asia Pacific Franchise Fund

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 56.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 57.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 57 to 67.

4. Net capital (losses)/gains

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

	31.12.18 £'000	31.12.17 £'000
Gains on foreign exchange	218	96
Non-derivative securities	(23,512)	67,277
Transaction charges	(1)	(60)
Net capital (losses)/gains	(23,295)	67,313

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.18 £'000	31.12.17 £'000	31.12.18 £'000	31.12.17 £'000
Equities	13,469	247,265	55,724	272,144
Collective Investment Schemes	–	–	–	5,280
Trades excluding transaction costs	13,469	247,265	55,724	277,424
Commissions				
Equities	8	143	(28)	(136)
Collective Investment Schemes	–	–	–	–
Total commissions	8	143	(28)	(136)
Taxes				
Equities	7	134	(68)	(383)
Collective Investment Schemes	–	–	–	–
Total taxes	7	134	(68)	(383)
Total costs	15	277	(96)	(519)
Net trades in the year after transaction costs	13,484	247,542	55,628	276,905

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.18 %	31.12.17 %	31.12.18 %	31.12.17 %
Commissions				
Equities	0.06	0.06	0.05	0.05
Collective Investment Schemes	–	–	–	–
Taxes				
Equities	0.05	0.05	0.12	0.14
Collective Investment Schemes	–	–	–	–

Total transaction cost expressed as a percentage of average net asset value

	Sales	
	31.12.18 %	31.12.17 %
Commissions	0.02	0.13
Taxes	0.04	0.24
Total costs	0.06	0.37

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.38% (31.12.17: 0.14%).

Asia Pacific Franchise Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

6. Revenue

	31.12.18 £'000	31.12.17 £'000
Bank interest	42	3
Overseas dividends	2,823	5,161
UK dividends	150	145
Offshore distribution non-taxable from collective investment schemes	–	56
Total revenue	3,015	5,365

7. Expenses

	31.12.18 £'000	31.12.17 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	1,763	2,094
General administration charge (GAC)	120	166
	1,883	2,260
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	124	177
	124	177
Other expenses:		
VAT refund	(7)	(22)
Out of pocket expenses	1	3
ADR fees	–	1
SEBI Registration fees	–	3
Publishing fee	–	2
	(6)	(13)
Total expenses	2,001	2,424

Please refer to the Prospectus for a full description of expenses covered by the GAC.

The audit fee for the year is £8,000 (31.12.17: £8,000).

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

8. Taxation

(a) Analysis of the tax charge in the year:

	31.12.18 £'000	31.12.17 £'000
Overseas tax	121	382
Current tax charge	121	382
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	121	382

(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%) (31.12.17: 20%). The differences are explained below:

	31.12.18 £'000	31.12.17 £'000
Net revenue before taxation	1,013	2,937
Corporation tax of 20%	203	587
Effects of:		
Movement in excess management expenses	392	485
Overseas tax	121	382
Revenue not subject to taxation	(595)	(1,072)
Total tax charge (note 8(a))	121	382

(c) Provision for deferred taxation:

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

(d) Factors affecting future tax charge:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £4,885,000 (2017: £4,493,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

9. Distribution

The Distribution take account of equalisation received on the creation of shares and deducted on the cancellation of shares, and comprises:

	31.12.18 £'000	31.12.17 £'000
Final	783	1,985
Add: Equalisation deducted on cancellation of shares	132	771
Less: Equalisation received on creation of shares	(21)	(198)
Net distribution for the year	894	2,558

The net distribution for the year is represented by:

	31.12.18 £'000	31.12.17 £'000
Net revenue after taxation	892	2,555
Equalisation on conversion of shares	2	3
Net distribution for the year	894	2,558

10. Debtors

	31.12.18 £'000	31.12.17 £'000
Accrued dividends and bank interest	39	53
Amounts receivable for creation of shares	38	34
	77	87

11. Other creditors

	31.12.18 £'000	31.12.17 £'000
Amounts payable for cancellation of shares	140	373
Payable for capital gains tax	129	–
Accrued ACD fees	128	173
Accrued general administration charge (GAC)	8	13
Accrued safe custody fee	60	28
Accrued transaction charges	4	9
	469	596

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.17: Nil).

13. 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 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, 11 and 15 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 11.

14. Dilution adjustment

Please refer to note 4 of the Notes to the Financial Statements of the Company for a detailed description of dilution adjustment.

Asia Pacific Franchise Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

15. ACD fee and charges

The different level of ACD fees payable per annum as at 31 December 2018 for each share class is detailed below:

'A' Shares	1.50%
'B' Shares	1.25%
'I' Shares	0.75%
'R' Shares	1.00%

The GAC is charged at up to 0.08% of the Net Asset Value of each share class.

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

Reconciliation of the shares movement in the year:

	31.12.17 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.18 Closing shares in issue
'A' Class (Accumulation shares)	9,422,105	679,396	(1,416,800)	(86,727)	8,597,974
'B' Class (Accumulation shares)	77,315	1	(6,577)	–	70,739
'I' Class (Accumulation shares)	41,784,476	912,418	(12,490,019)	78,431	30,285,306
'R' Class (Accumulation shares)	253,921	16,900	(122,376)	164,635	313,080

16. Risk consideration

Please refer to note 3 of the 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 2018 was:

Currency	Currency exposure	
	Total 31.12.18 £'000	Total 31.12.17 £'000
Australian Dollar	24,531	36,930
Chinese Yuan	148	(394)
Chinese Yuan (Offshore)	7,706	11,080
Euro	3,654	7,388
Hong Kong Dollar	31,892	43,303
Indian Rupee	16,796	19,009
Singapore Dollar	4	4
South Korean Won	15,423	31,490
Sterling	4,100	6,291
Taiwan Dollar	7,937	16,418
US Dollar	25,939	29,132
Vietnamese Dong	4,642	7,361
Total	142,772	208,012

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 risk is not considered to be significant.

17. Fair value

Valuation technique	31.12.18		31.12.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	138,365	–	204,022	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total fair value	138,365	–	204,022	–

The three levels of the fair value hierarchy under FRS 102 are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Asia Pacific Franchise Fund

Distribution Table

For the year ended 31 December 2018

Final distribution payable 28 February 2018

Group 1 – Shares purchased before 1 January 2018

Group 2 – Shares purchased between 1 January and 31 December 2018

	Net Income pence	Equalisation pence	Distribution payable 28.02.19 pence	Distribution paid 28.02.18 pence
'A' Class (Accumulation shares)				
Group 1	0.1778	-	0.1778	3.3752
Group 2	-	0.1778	0.1778	3.3752
'B' Class (Accumulation shares)				
Group 1	18.2114	-	18.2114	49.7793
Group 2	5.0060	13.2054	18.2114	49.7793
'I' Class (Accumulation shares)				
Group 1	2.4813	-	2.4813	3.8871
Group 2	1.1294	1.3519	2.4813	3.8871
'R' Class (Accumulation shares)				
Group 1	0.9758	-	0.9758	1.8333
Group 2	0.7053	0.2705	0.9758	1.8333

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 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Income					
Net capital losses	4		(8,268)		(13,438)
Revenue	6	1,999		2,210	
Expenses	7	(681)		(817)	
Interest payable and similar charges		(1)		–	
Net revenue before taxation		1,317		1,393	
Taxation	8	(27)		(159)	
Net revenue after taxation			1,290		1,234
Total return before distribution			(6,978)		(12,204)
Distribution	9		(1,290)		(1,235)
Change in net assets attributable to shareholders from investment activities			(8,268)		(13,439)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Opening net assets attributable to shareholders		67,776		92,574
Amounts receivable on creation of shares	12,255		15,331	
Amounts payable on cancellation of shares	(25,311)		(27,802)	
		(13,056)		(12,471)
Change in net assets attributable to shareholders from investment activities		(8,268)		(13,439)
Retained distributions on accumulation shares		1,132		1,112
Closing net assets attributable to shareholders		47,584		67,776

Notes to the financial statements are on pages 81 to 85.

Balance Sheet

As at 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
ASSETS					
Investments assets			47,228		67,540
Current assets					
Debtors	10	146		245	
Cash and bank balances		441		444	
Total other assets			587		689
Total assets			47,815		68,229
LIABILITIES					
Creditors					
Bank overdrafts		92		22	
Distribution payable		22		20	
Other creditors	11	117		411	
Total liabilities			231		453
Net assets attributable to shareholders			47,584		67,776

Notes to the financial statements are on pages 81 to 85.

Global Energy Fund

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 56.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 57.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 57 to 67.

4. Net capital losses

The net capital losses during the year comprise:

	31.12.18 £'000	31.12.17 £'000
Losses on foreign exchange	(7)	(83)
Non-derivative securities	(8,218)	(13,323)
Transaction charges	(43)	(32)
Net capital losses	(8,268)	(13,438)

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.18 £'000	31.12.17 £'000	31.12.18 £'000	31.12.17 £'000
Equities	44,289	60,255	56,237	69,790
Trades excluding transaction costs	44,289	60,255	56,237	69,790
Commissions				
Equities	20	35	(24)	(37)
Taxes				
Equities	35	61	(5)	(4)
Total costs	55	96	(29)	(41)
Net trades in the year after transaction costs	44,344	60,351	56,208	69,749

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.18 %	31.12.17 %	31.12.18 %	31.12.17 %
Commissions				
Equities	0.05	0.06	0.04	0.05
Taxes				
Equities	0.08	0.10	0.01	0.01

Total transaction cost expressed as a percentage of average net asset value

	31.12.18 %	31.12.17 %
Commissions	0.07	0.10
Taxes	0.07	0.09
Total costs	0.14	0.19

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.13% (31.12.17: 0.08%).

6. Revenue

	31.12.18 £'000	31.12.17 £'000
Bank interest	3	4
Overseas dividends	1,413	1,633
UK dividends	559	563
Property revenue from overseas REITs	24	10
Total revenue	1,999	2,210

Global Energy Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

7. Expenses

	31.12.18 £'000	31.12.17 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	624	744
General administration charge (GAC)	42	58
	666	802
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	15	14
	15	14
Other expenses:		
VAT refund	(2)	(4)
ADR fees	1	1
Collateral interest fee	1	1
SEBI Registration fees	–	3
	–	1
Total expenses	681	817

Please refer to the Prospectus for a full description of expenses covered by the GAC.

The audit fee for the year is £8,000 (31.12.17: £8,000).

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

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

	31.12.18 £'000	31.12.17 £'000
Overseas tax	27	160
Capital gains tax	–	(1)
Current tax charge	27	159
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	27	159

(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%) (31.12.17: 20%). The differences are explained below:

	31.12.18 £'000	31.12.17 £'000
Net revenue before taxation	1,317	1,393
Corporation tax of 20%	263	279
Effects of:		
Movement in excess management expenses	117	130
Overseas tax	27	160
Revenue not subject to taxation	(372)	(405)
Overseas tax expensed	(8)	(4)
Indian capital gains tax	–	(1)
Total tax charge (note 8(a))	27	159

(c) Provision for deferred taxation:

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

(d) Factors affecting future tax charge:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £2,806,000 (2017: £2,689,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

9. Distributions

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

	31.12.18 £'000	31.12.17 £'000
Final	1,154	1,132
Add: Equalisation deducted on cancellation of shares	267	216
Less: Equalisation received on creation of shares	(131)	(113)
Net distribution for the year	1,290	1,235

The net distribution for the year is represented by:

	31.12.18 £'000	31.12.17 £'000
Net revenue after taxation	1,290	1,234
Equalisation on conversion of shares	–	2
Indian capital gains tax	–	(1)
Net distribution for the year	1,290	1,235

10. Debtors

	31.12.18 £'000	31.12.17 £'000
Accrued dividends and bank interest	90	155
Amounts receivable for creation of shares	39	41
Overseas tax recoverable	17	18
Sales awaiting settlement	–	31
	146	245

11. Other creditors

	31.12.18 £'000	31.12.17 £'000
Amounts payable for cancellation of shares	23	342
Purchases awaiting settlement	16	–
Accrued ACD fees	43	57
Accrued general administration charge (GAC)	3	4
Accrued safe custody fee	8	3
Accrued transaction charges	24	5
	117	411

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.17: Nil).

13. 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 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, 11 and 15 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 11.

14. Dilution adjustment

Please refer to note 4 of the Notes to the Financial Statements of the Company for a detailed description of dilution adjustment.

15. ACD fee and charges

The different level of ACD fees payable per annum as at 31 December 2018 for each share class is detailed below:

'A' Shares	1.50%
'I' Shares	0.75%
'R' Shares	1.00%
'S' Shares	0.00%

The GAC is charged at up to 0.08% 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 2018

Reconciliation of the shares movement in the year:

	31.12.17 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.18 Closing shares in issue
'A' Class (Accumulation shares)	12,836,146	2,590,064	(5,313,496)	(33,888)	10,078,826
'A' Class (USD Accumulation shares)	613,927	2,940	(144,279)	–	472,588
'I' Class (Accumulation shares)	16,872,616	2,779,451	(5,963,623)	30,755	13,719,199
'I' Class (Income shares)	1,498,698	286,583	(423,995)	–	1,361,286
'R' Class (Accumulation shares)	108,681	24,553	(4,271)	–	128,963
'S' Class (Accumulation shares)	2,457,914	750,869	(1,329,001)	–	1,879,782

16. Risk consideration

Please refer to note 3 of the 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 2018 was:

Currency	Currency exposure	
	Total 31.12.18 £'000	Total 31.12.17 £'000
Australian Dollar	2	2
Canadian Dollar	2,590	12,264
Chinese Yuan	–	(22)
Chinese Yuan (Offshore)	920	438
Danish Krone	1,398	766
Euro	11,704	7,707
Hong Kong Dollar	2,572	3,483
Hungarian Forint	1,177	1,251
Indian Rupee	–	226
Japanese Yen	193	–
Norwegian Krone	13	1,593
Sterling	9,467	10,871
Taiwan Dollar	383	–
Swedish Krona	907	1,121
US Dollar	16,258	28,076
Total	47,584	67,776

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 risk is not considered to be significant.

17. Fair value

Valuation technique	31.12.18		31.12.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	47,228	–	67,540	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total fair value	47,228	–	67,540	–

The three levels of the fair value hierarchy under FRS 102 are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Global Energy Fund

Distribution Table

For the year ended 31 December 2018

Final distribution payable 28 February 2019

Group 1 – Shares purchased before 1 January 2018

Group 2 – Shares purchased between 1 January and 31 December 2018

	Net Income pence	Equalisation pence	Distribution payable 28.02.19 pence	Distribution paid 28.02.18 pence
'A' Class (Accumulation shares)				
Group 1	3.2140	–	3.2140	2.3327
Group 2	2.0998	1.1142	3.2140	2.3327
'I' Class (Accumulation shares)				
Group 1	5.1576	–	5.1576	4.1746
Group 2	2.5114	2.6462	5.1576	4.1746
'I' Class (Income shares)				
Group 1	1.6321	–	1.6321	1.3404
Group 2	1.1059	0.5262	1.6321	1.3404
'R' Class (Accumulation shares)				
Group 1	1.9075	–	1.9075	1.5013
Group 2	0.5362	1.3713	1.9075	1.5013
'S' Class (Accumulation shares)				
Group 1	4.4221	–	4.4221	3.7475
Group 2	2.9590	1.4631	4.4221	3.7475
	Net Income US cent	Equalisation US cent	Distribution payable 28.02.19 US cent	Distribution paid 28.02.18 US cent
'A' Class (USD Accumulation shares)				
Group 1	4.0972	–	4.0972	3.1629
Group 2	1.7759	2.3213	4.0972	3.1629

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 Strategic Equity Fund

Statement of Total Return

For the year ended 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Income					
Net capital (losses)/gains	4		(59,225)		116,129
Revenue	6	11,988		12,587	
Expenses	7	(5,758)		(6,071)	
Interest payable and similar charges		(12)		(16)	
Net revenue before taxation		6,218		6,500	
Taxation	8	(1,104)		(1,196)	
Net revenue after taxation			5,114		5,304
Total return before distribution			(54,111)		121,433
Distribution	9		(5,214)		(5,311)
Change in net assets attributable to shareholders from investment activities			(59,325)		116,122

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Opening net assets attributable to shareholders		636,428		655,077
Amounts receivable on creation of shares	21,699		90,995	
Amounts payable on cancellation of shares	(98,207)		(229,710)	
		(76,508)		(138,715)
Dilution adjustment		–		70
Change in net assets attributable to shareholders from investment activities		(59,325)		116,122
Retained distributions on accumulation shares		5,044		3,874
Closing net assets attributable to shareholders		505,639		636,428

Notes to the financial statements are on pages 87 to 92.

Balance Sheet

As at 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
ASSETS					
Investments assets			495,056		629,445
Current assets					
Debtors	10	1,154		992	
Cash and bank balances		17,920		6,993	
Total other assets			19,074		7,985
Total assets			514,130		637,430
LIABILITIES					
Creditors					
Other creditors	11	8,491		1,002	
Total liabilities			8,491		1,002
Net assets attributable to shareholders			505,639		636,428

Notes to the financial statements are on pages 87 to 92.

Global Strategic Equity Fund

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 56.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 57.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 57 to 67.

4. Net capital (losses)/gains

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

	31.12.18 £'000	31.12.17 £'000
(Losses)/gains on foreign exchange	(296)	1,932
Forward currency contracts	(3,315)	(3)
Non-derivative securities	(55,593)	114,224
Transaction charges	(21)	(24)
Net capital (losses)/gains	(59,225)	116,129

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.18 £'000	31.12.17 £'000	31.12.18 £'000	31.12.17 £'000
Equities	144,526	266,372	222,296	388,015
Trades excluding transaction costs	144,526	266,372	222,296	388,015
Commissions				
Equities	70	163	(96)	(182)
Taxes				
Equities	32	199	(94)	(57)
Total costs	102	362	(190)	(239)
Net trades in the year after transaction costs	144,628	266,734	222,106	387,776

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.18 %	31.12.17 %	31.12.18 %	31.12.17 %
Commissions				
Equities	0.05	0.06	0.04	0.05
Taxes				
Equities	0.02	0.07	0.04	0.01

Total transaction cost expressed as a percentage of average net asset value

	31.12.18 %	31.12.17 %
Commissions	0.03	0.05
Taxes	0.02	0.04
Total costs	0.05	0.09

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.15% (31.12.17: 0.08%).

6. Revenue

	31.12.18 £'000	31.12.17 £'000
Bank interest	79	22
Overseas dividends	10,950	11,918
UK dividends	790	637
Property revenue from overseas REITs	169	—
Interest on historic foreign tax reclaim amounts received	—	10
Total revenue	11,988	12,587

Global Strategic Equity Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

7. Expenses

	31.12.18 £'000	31.12.17 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	5,218	5,360
General administration charge (GAC)	410	526
	5,628	5,886
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	97	149
	97	149
Other expenses:		
VAT refund	(11)	(15)
Out of pocket expenses	1	4
ADR fees	22	31
SEBI Registration fees	–	3
Currency hedge	19	13
DTC Expense	2	–
	33	36
Total expenses	5,758	6,071

Please refer to the Prospectus for a full description of expenses covered by the GAC.

The audit fee for the year is £8,000 (31.12.17: £8,000).

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

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

	31.12.18 £'000	31.12.17 £'000
Overseas tax	1,104	1,196
Current tax charge	1,104	1,196
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	1,104	1,196

(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%) (31.12.17: 20%). The differences are explained below:

	31.12.18 £'000	31.12.17 £'000
Net revenue before taxation	6,218	6,500
Corporation tax of 20%	1,244	1,300
Effects of:		
Movement in excess management expenses	1,014	1,109
Overseas tax	1,104	1,196
Revenue not subject to taxation	(2,243)	(2,390)
Overseas tax expensed	(15)	(19)
Total tax charge (note 8(a))	1,104	1,196

(c) Provision for deferred taxation:

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

(d) Factors affecting future tax charge:

At the year end, after offset against revenue taxable on receipt, there is a potential deferred tax asset of £7,151,000 (2017: £6,137,000) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year.

9. Distribution

The Distribution take account of equalisation received on the creation of shares and deducted on the cancellation of shares, and comprises:

	31.12.18 £'000	31.12.17 £'000
Final	5,044	3,874
Add: Equalisation deducted on cancellation of shares	244	1,853
Less: Equalisation received on creation of shares	(74)	(416)
Net distribution for the year	5,214	5,311

The net distribution for the year is represented by:

	31.12.18 £'000	31.12.17 £'000
Net revenue after taxation	5,114	5,304
Equalisation on conversion of shares	100	7
Net distribution for the year	5,214	5,311

10. Debtors

	31.12.18 £'000	31.12.17 £'000
Accrued dividends and bank interest	353	221
Amounts receivable for creation of shares	262	96
Overseas tax recoverable	249	265
Sales awaiting settlement	–	145
Unrealised currency hedge	290	265
	1,154	992

11. Other creditors

	31.12.18 £'000	31.12.17 £'000
Amounts payable for cancellation of shares	177	133
Purchases awaiting settlement	7,836	322
Payable for hedge fee expense	5	8
Accrued ACD fees	388	473
Accrued general administration charge (GAC)	31	39
Accrued safe custody fee	49	26
Accrued transaction charges	5	1
	8,491	1,002

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.17: Nil).

13. 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 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, 11 and 15 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 11.

14. Dilution adjustment

Please refer to note 4 of the Notes to the Financial Statements to the Company for a detailed description of dilution adjustment.

Global Strategic Equity Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

15. ACD fee and charges

The different level of ACD fees payable per annum as at 31 December 2018 for each share class is detailed below:

'A' Shares	1.50%
'I' Shares	0.75%
'R' Shares	1.00%
'S' Shares	0.00%

The GAC is charged at up to 0.08% of the Net Asset Value of each share class.

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

Reconciliation of the shares movement in the year:

	31.12.17 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.18 Closing shares in issue
'A' Class (Accumulation shares)	20,781,163	1,139,834	(2,486,144)	(1,668,835)	17,766,018
'A' Class (USD Accumulation shares)	11,919	3,168	(4,183)	–	10,904
'I' Class (Accumulation shares)	125,511,194	3,966,141	(27,946,205)	6,540,983	108,072,113
'I' Class (GBP Hedged Accumulation shares)	49,107,683	65,337	(7,236,207)	–	41,936,813
'R' Class (Accumulation shares)	319,855	3,034	(4,714)	(41,597)	276,578
'S' Class (Accumulation shares)	29,578,856	567,442	(475,273)	–	29,671,025

16. Risk consideration

Please refer to note 3 of the 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 2018 was:

Currency	Currency exposure	
	Total 31.12.18 £'000	Total 31.12.17 £'000
Australian Dollar	8,978	5,789
Canadian Dollar	1	1
Chinese Yuan	7,036	18,510
Chinese Yuan (Offshore)	–	2,868
Danish Krone	6,062	14,388
Euro	54,603	83,615
Hong Kong Dollar	8,754	27,418
Japanese Yen	31,002	56,682
Mexican Peso	2,931	5,070
Singapore Dollar	1	–
South African Rand	–	4
South Korean Won	–	16,027
Sterling	88,093	45,466
Swedish Krona	662	683
Swiss Franc	5,089	8,777
Turkish Lira	2,159	3,816
US Dollar	290,268	347,314
Total	505,639	636,428

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 risk is not considered to be significant.

17. Fair value

Valuation technique	31.12.18		31.12.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	495,056	–	629,445	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total fair value	495,056	–	629,445	–

The three levels of the fair value hierarchy under FRS 102 are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Global Strategic Equity Fund

Distribution Tables

For the year ended 31 December 2018

Final distribution payable 28 February 2019

Group 1 – Shares purchased before 1 January 2018

Group 2 – Shares purchased between 1 January and 31 December 2018

	Net Income pence	Equalisation pence	Distribution payable 28.02.19 pence	Distribution paid 28.02.18 pence
'A' Class (Accumulation shares)				
Group 1	2.3690	–	2.3690	0.3339
Group 2	0.9258	1.4432	2.3690	0.3339
'I' Class (Accumulation shares)				
Group 1	2.3827	–	2.3827	1.7178
Group 2	1.0615	1.3212	2.3827	1.7178
'I' Class (GBP Hedged Accumulation shares)⁽¹⁾				
Group 1	1.2007	–	1.2007	0.8684
Group 2	0.6236	0.5771	1.2007	0.8684
'R' Class (Accumulation shares)				
Group 1	1.6701	–	1.6701	1.0869
Group 2	0.3828	1.2873	1.6701	1.0869
'S' Class (Accumulation shares)				
Group 1	5.1882	–	5.1882	4.1210
Group 2	3.2516	1.9366	5.1882	4.1210

	Net Income US cent	Equalisation US cent	Distribution payable 28.02.19 US cent	Distribution paid 28.02.18 US cent
'A' Class (USD Accumulation shares)				
Group 1	3.0128	–	3.0128	0.4664
Group 2	–	3.0128	3.0128	0.4664

(1) Launched 31 January 2017.

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 Total Return Credit Fund

Statement of Total Return

For the period ended 31 December 2018

	Note	31.12.18 £'000	£'000
Income			
Net capital losses	4		(2,374)
Revenue	6	1,361	
Expenses	7	(269)	
Interest payable and similar charges		(1)	
Net revenue before taxation		1,091	
Taxation	8	–	
Net revenue after taxation			1,091
Total return before distributions			(1,283)
Distributions	9		(1,190)
Change in net assets attributable to shareholders from investment activities			(2,473)

Statement of Change in Net Assets Attributable to Shareholders

For the period ended 31 December 2018

	31.12.18 £'000	£'000
Opening net assets attributable to shareholders		–
Amounts receivable on creation of shares	92,816	
Amounts payable on cancellation of shares	(2,517)	
		90,299
Dilution adjustment		123
Change in net assets attributable to shareholders from investment activities		(2,473)
Retained distributions on accumulation shares		646
Closing net assets attributable to shareholders		88,595

Notes to the financial statements are on pages 94 to 101.

Balance Sheet

As at 31 December 2018

	Note	31.12.18 £'000	£'000
ASSETS			
Investments assets			77,686
Current assets			
Debtors	10	963	
Cash and bank balances	11	10,867	
Total other assets			11,830
Total assets			89,516
LIABILITIES			
Investment liabilities			304
Creditors			
Bank overdrafts		14	
Distribution payable		382	
Other creditors	12	221	
Total other liabilities			617
Total liabilities			921
Net assets attributable to shareholders			88,595

Notes to the financial statements are on pages 94 to 101.

The Fund launched on 11 May 2018, therefore no comparatives are available.

Global Total Return Credit Fund

Notes to the Financial Statements

For the period ended 31 December 2018

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 56.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 57.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 57 to 67.

4. Net capital losses

The net capital losses during the period comprise:

	31.12.18 £'000
Losses on foreign exchange	(150)
Derivatives contracts	(158)
Forward currency contracts	(2,243)
Non-derivative securities	193
Transaction charges	(16)
Net capital losses	(2,374)

5. Purchases, sales and transaction costs

	Purchases 31.12.18 £'000	Sales 31.12.18 £'000
Bonds	102,228	24,712
Swaps	22,779	22,583
Trades excluding transaction costs	125,007	47,295
Commissions		
Bonds	–	–
Swaps	–	–
Taxes		
Bonds	–	–
Swaps	–	–
Total costs	–	–
Net trades in the period after transaction costs	125,007	47,295

Total transaction cost expressed as a percentage of asset type cost

	Purchases 31.12.18 %	Sales 31.12.18 %
Commissions		
Bonds	–	–
Swaps	–	–
Taxes		
Bonds	–	–
Swaps	–	–

Total transaction cost expressed as a percentage of average net asset value

	31.12.18 %
Commissions	0.00
Taxes	0.00
Total costs	0.00

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.58%.

6. Revenue

	31.12.18
	£'000
Bank interest	16
Interest on debt securities	1,345
Total revenue	1,361

7. Expenses

	31.12.18
	£'000
Payable to the ACD or associates of the ACD, and agents of either of them:	
ACD fee	237
General administration charge (GAC)	26
	263
Payable to the Depositary or associates of the Depositary, and agents of either of them:	
Safe custody fee	4
	4
Other expenses:	
Collateral interest fee	2
	2
Total expenses	269

Please refer to the Prospectus for a full description of expenses covered by the GAC.

The audit fee for the period is £12,000.

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

8. Taxation**(a) Analysis of the tax charge in the period:**

	31.12.18
	£'000
Overseas tax	–
Current tax charge	–
Deferred tax charge (note 8(c))	–
Total tax charge (note 8(b))	–

(b) Factors affecting current tax charge for the period:

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

	31.12.18
	£'000
Net revenue before taxation	1,091
Corporation tax of 20%	218
Effects of:	
Overseas tax	–
Tax deductible interest distributions	(218)
Total tax charge (note 8(a))	–

(c) Provision for deferred taxation:

There is no provision required for deferred taxation at the Balance Sheet date in the current period.

Global Total Return Credit Fund

Notes to the Financial Statements continued

For the period ended 31 December 2018

9. Distributions

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

	31.12.18 £'000
Second quarter	126
Third quarter	550
Final	653
	1,329
Add: Equalisation deducted on cancellation of shares	11
Less: Equalisation received on creation of shares	(150)
Net distribution for the period	1,190

The net distribution for the period is represented by:

	31.12.18 £'000
Net revenue after taxation	1,091
Expenses charged to capital:	
ACD fee	85
General administration charge (GAC)	12
Safe custody fee	2
Net distribution for the period	1,190

10. Debtors

	31.12.18 £'000
Accrued bond interest	732
Accrued dividends and bank interest	1
Amounts receivable for creation of shares	72
Dilution adjustment receivable	1
Sales awaiting settlement	157
	963

11. Cash and bank balances

	31.12.18 £'000
Cash and bank balances	10,856
Amount held at futures clearing houses and brokers	11
	10,867

12. Other creditors

	31.12.18 £'000
Purchases awaiting settlement	157
Accrued ACD fees	44
Accrued general administration charge (GAC)	5
Accrued safe custody fee	3
	221

13. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the period end date.

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 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 period are disclosed in notes 10 and 12.

15. Dilution adjustment

Please refer to note 4 of the Notes to the Financial Statements to the Company for a detailed description of dilution adjustment.

16. ACD fee and charges

The different level of ACD fees payable per annum as at 31 December 2018 for each share class is detailed below:

'A' Shares	1.50%
'I' Shares	0.75%
'K' Shares	0.45%

The GAC is charged at up to 0.08% of the Net Asset Value of each share class.

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

Reconciliation of the shares movement in the period:

	11.05.18 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.18 Closing shares in issue
'A' Class (Income-2 shares)	–	10,138	–		10,138
'I' Class (Accumulation shares)	–	40,976,333	(1,024,212)		39,952,121
'I' Class (Income-2 shares)	–	2,398,477	(1,804)		2,396,673
'K' Class (Accumulation shares)	–	3,659,555	(4,684)		3,654,871
'K' Class (Income-2 shares)	–	46,216,805	(1,506,476)		44,710,329

17. Risk consideration

Please refer to note 3 of the 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 2018 was:

	Currency exposure Total 31.12.18 £'000
Currency	
Euro	(899)
Sterling	89,620
US Dollar	(126)
Total	88,595

Interest rate risk profile of financial assets and liabilities as at 31 December 2018 was as follows:

	Floating rate financial assets 31.12.18 £'000	Fixed rate financial assets 31.12.18 £'000	Financial assets not carrying interest 31.12.18 £'000	Total 31.12.18 £'000
Currency				
Euro	15,142	17,536	(33,577)	(899)
Sterling	10,501	7,208	71,911	89,620
US Dollar	12,408	25,308	(37,842)	(126)
Total	38,051	50,052	492	88,595

Global Total Return Credit Fund

Notes to the Financial Statements continued

For the period ended 31 December 2018

18. Efficient portfolio management techniques risk exposure

The exposure obtained through efficient portfolio management techniques and identity of counterparties as at 31 December 2018 was as follows:

(a) Swaps

	Value of collateral 31.12.18 £'000
Counterparty	
JP Morgan	46
Total	46

(b) Forwards

	Market Value 31.12.18 £'000
Counterparty	
Barclays	(261)
Citibank	(12)
HSBC	(5)
JP Morgan	(4)
Merrill Lynch	7
Standard Chartered	1
Total	(274)

19. Fair value

	31.12.18	
Valuation technique	Assets £'000	Liabilities £'000
Level 1	6,516	–
Level 2	71,170	(304)
Level 3	–	–
Total fair value	77,686	(304)

The three levels of the fair value hierarchy under FRS 102 are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Global Total Return Credit Fund

Distribution Tables

For the period ended 31 December 2018

Interim distribution paid 31 August 2018

Group 1 – Shares purchased before 11 May 2018

Group 2 – Shares purchased between 11 May and 30 June 2018

	Net Income pence	Equalisation pence	Distribution paid 31.08.18 pence
'A' Class (Income-2 shares)			
Group 1	0.3249	–	0.3249
Group 2	0.3249	–	0.3249
'I' Class (Accumulation shares)			
Group 1	0.2217	–	0.2217
Group 2	0.2131	0.0086	0.2217
'I' Class (Income-2 shares)			
Group 1	0.3288	–	0.3288
Group 2	0.3288	–	0.3288
'K' Class (Accumulation shares)			
Group 1	0.2590	–	0.2590
Group 2	0.2590	–	0.2590
'K' Class (Income-2 shares)			
Group 1	0.3281	–	0.3281
Group 2	0.2656	0.0625	0.3281

Global Total Return Credit Fund continued

Distribution Tables

For the period ended 31 December 2018

Interim distribution paid 30 November 2018

Group 1 – Shares purchased before 1 July 2018

Group 2 – Shares purchased between 1 July and 30 September 2018

	Net Income pence	Equalisation pence	Distribution paid 30.11.18 pence
'A' Class (Income-2 shares)			
Group 1	1.0247	–	1.0247
Group 2	0.2744	0.7503	1.0247
'I' Class (Accumulation shares)			
Group 1	0.8181	–	0.8181
Group 2	0.2674	0.5507	0.8181
'I' Class (Income-2 shares)			
Group 1	1.0233	–	1.0233
Group 2	0.4882	0.5351	1.0233
'K' Class (Accumulation shares)			
Group 1	0.9009	–	0.9009
Group 2	0.2996	0.6013	0.9009
'K' Class (Income-2 shares)			
Group 1	1.0270	–	1.0270
Group 2	0.4524	0.5746	1.0270

Distribution Tables

For the period ended 31 December 2018

Final distribution payable 28 February 2019

Group 1 – Shares purchased before 1 October 2018

Group 2 – Shares purchased between 1 October and 31 December 2018

	Net Income pence	Equalisation pence	Distribution payable 28.02.19 pence
'A' Class (Income-2 shares)			
Group 1	0.8048	–	0.8048
Group 2	0.2494	0.5554	0.8048
'I' Class (Accumulation shares)			
Group 1	0.6151	–	0.6151
Group 2	0.2670	0.3481	0.6151
'I' Class (Income-2 shares)			
Group 1	0.8093	–	0.8093
Group 2	0.4173	0.3920	0.8093
'K' Class (Accumulation shares)			
Group 1	0.6978	–	0.6978
Group 2	0.4141	0.2837	0.6978
'K' Class (Income-2 shares)			
Group 1	0.8103	–	0.8103
Group 2	0.7123	0.0980	0.8103

Fund launched 11 May 2018.

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 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Income					
Net capital (losses)/gains	4		(7,543)		687
Revenue	6	4,570		5,904	
Expenses	7	(926)		(1,057)	
Interest payable and similar charges	8	(14)		(5)	
Net revenue before taxation		3,630		4,842	
Taxation	9	–		87	
Net revenue after taxation			3,630		4,929
Total return before distributions			(3,913)		5,616
Distributions	10		(4,254)		(5,649)
Change in net assets attributable to shareholders from investment activities			(8,167)		(33)

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2018

	31.12.18 £'000	£'000	31.12.17 £'000	£'000
Opening net assets attributable to shareholders		109,833		113,138
Amounts receivable on creation of shares	20,750		17,172	
Amounts payable on cancellation of shares	(22,642)		(22,126)	
		(1,892)		(4,954)
Dilution adjustment		41		16
Change in net assets attributable to shareholders from investment activities		(8,167)		(33)
Retained distributions on accumulation shares		1,257		1,661
Unclaimed distributions		1		5
Closing net assets attributable to shareholders		101,073		109,833

Notes to the financial statements are on pages 103 to 114.

Balance Sheet

As at 31 December 2018

	Note	31.12.18 £'000	£'000	31.12.17 £'000	£'000
ASSETS					
Investments assets			82,741		103,893
Current assets					
Debtors	11	1,224		1,713	
Cash and bank balances	12	18,367		5,737	
Total other assets			19,591		7,450
Total assets			102,332		111,343
LIABILITIES					
Investment liabilities			374		257
Creditors					
Bank overdrafts		191		418	
Distribution payable		522		715	
Other creditors	13	172		120	
Total other liabilities			885		1,253
Total liabilities			1,259		1,510
Net assets attributable to shareholders			101,073		109,833

Notes to the financial statements are on pages 103 to 114.

Monthly High Income Fund

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 56.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 57.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 57 to 67.

4. Net capital (losses)/gains

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

	31.12.18 £'000	31.12.17 £'000
Losses on foreign exchange	(131)	(3,410)
Derivatives contracts	(298)	23
Forward currency contracts	(3,126)	9,080
Non-derivative securities	(3,979)	(4,996)
Transaction charges	(9)	(8)
Collateral interest fee	–	(2)
Net capital (losses)/gains	(7,543)	687

5. Purchases, sales and transaction costs

	Purchases		Sales	
	31.12.18 £'000	31.12.17 £'000	31.12.18 £'000	31.12.17 £'000
Bonds	105,953	98,755	122,600	99,910
Options	15	63	15	–
Swaps	68,522	76,240	68,573	76,139
Trades excluding transaction costs	174,490	175,058	191,188	176,049
Commissions				
Bonds	–	–	–	–
Options	–	–	–	–
Swaps	–	–	–	–
Total commissions	–	–	–	–
Taxes				
Bonds	–	–	–	–
Options	–	–	–	–
Swaps	–	–	–	–
Total taxes	–	–	–	–
Total costs	–	–	–	–
Net trades in the year after transaction costs	174,490	175,058	191,188	176,049

Cash collateral is no longer included in investment portfolio but now appears in cash and bank balances, prior year figures have therefore been restated.

Monthly High Income Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.18 %	31.12.17 %	31.12.18 %	31.12.17 %
Commissions				
Bonds	–	–	–	–
Options	–	–	–	–
Swaps	–	–	–	–
Taxes				
Bonds	–	–	–	–
Options	–	–	–	–
Swaps	–	–	–	–

Total transaction cost expressed as a percentage of average net asset value

	31.12.18 %	31.12.17 %
Commissions	–	–
Taxes	–	–
Total costs	–	–

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.85% (31.12.17: 0.64%).

6. Revenue

	31.12.18 £'000	31.12.17 £'000
Bank interest	44	14
Interest on debt securities	4,526	5,890
Total revenue	4,570	5,904

7. Expenses

	31.12.18 £'000	31.12.17 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	833	955
General administration charge (GAC)	68	87
	901	1,042
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	12	15
	12	15
Other expenses:		
VAT refund	(3)	(5)
Collateral interest fee	16	5
	13	–
Total expenses	926	1,057

Please refer to the Prospectus for a full description of expenses covered by the GAC.

The audit fee for the year is £9,000 (31.12.17: £9,000).

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

8. Interest payable and similar charges

	31.12.18 £'000	31.12.17 £'000
Interest	11	3
Margin Interest	3	2
Total interest payable and similar charges	14	5

9. Taxation**(a) Analysis of the tax charge/(credit) in the year:**

	31.12.18 £'000	31.12.17 £'000
Adjustments in respect of prior years	–	(85)
Overseas tax	–	(2)
Current tax charge	–	(87)
Deferred tax charge (note 9(c))	–	–
Total tax charge (note 9(b))	–	(87)

(b) Factors affecting current tax charge/(credit) 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%) (31.12.17: 20%). The differences are explained below:

	31.12.18 £'000	31.12.17 £'000
Net revenue before taxation	3,630	4,842
Corporation tax of 20%	726	968
Effects of:		
Income tax prior year adjustment	–	(85)
Overseas tax	–	(2)
Tax deductible interest distributions	(726)	(968)
Total tax charge (note 9(a))	–	(87)

(c) Provision for deferred taxation:

There is no provision required for deferred taxation at the Balance Sheet date in the current or prior year.

10. Distributions

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

	31.12.18 £'000	31.12.17 £'000
January	333	441
February	326	457
March	315	456
April	314	458
May	314	471
June	317	441
July	381	437
August	377	438
September	371	438
October	368	456
November	408	444
Final	430	594
Income tax withheld at source	–	102
	4,254	5,633
Add: Equalisation deducted on cancellation of shares	65	73
Less: Equalisation received on creation of shares	(65)	(57)
Net distribution for the year	4,254	5,649

Monthly High Income Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

The net distribution for the year is represented by:

	31.12.18 £'000	31.12.17 £'000
Net revenue after taxation	3,630	4,929
Expenses charged to capital:		
ACD fee	570	653
General administration charge (GAC)	46	57
Safe custody fee	8	10
Net distribution for the year	4,254	5,649

11. Debtors

	31.12.18 £'000	31.12.17 £'000
Accrued bond interest	1,187	1,522
Accrued dividends and bank interest	3	—
Amounts receivable for creation of shares	34	191
	1,224	1,713

12. Cash and bank balances

	31.12.18 £'000	31.12.17 £'000
Cash and bank balances	18,181	5,590
Amount held at futures clearing houses and brokers	186	147
	18,367	5,737

13. Other creditors

	31.12.18 £'000	31.12.17 £'000
Amounts payable for cancellation of shares	86	30
Accrued ACD fees	69	79
Accrued general administration charge (GAC)	6	7
Accrued safe custody fee	6	3
Accrued transaction charges	5	1
	172	120

14. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.17: Nil).

15. 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 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, 13 and 17 for further details.

Any amounts due to/from Investec Fund Managers Limited at the end of the accounting year are disclosed in notes 11 and 13.

16. Dilution adjustment

Please refer to note 4 of the Notes to the Financial Statements of the Company for a detailed description of dilution adjustment.

17. ACD fee and charges

The different level of ACD fees payable per annum as at 31 December 2018 for each share class is detailed below:

'A' Shares	1.25%
'I' Shares	0.65%
'R' Shares	0.75%
'S' Shares	0.00%

The GAC is charged at up to 0.08% of the Net Asset Value of each share class.

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

Reconciliation of the shares movement in the year:

	31.12.17 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.18 Closing shares in issue
'A' Class (Accumulation shares)	5,564,413	256,416	(926,533)	(29,720)	4,864,576
'A' Class (Income-2 shares)	37,098,358	776,711	(4,620,754)	(641,315)	32,613,000
'I' Class (Accumulation shares)	12,787,068	7,071,650	(5,129,142)	43,269	14,772,845
'I' Class (Income-2 shares)	44,281,141	1,033,504	(6,545,733)	147,122	38,916,034
'R' Class (Accumulation shares)	223,813	81,668	(21,241)	–	284,240
'R' Class (Income-2 shares)	807,290	106	(20,693)	293,746	1,080,449
'S' Class (Accumulation shares)	916,203	2,328,890	(697,009)	–	2,548,084

18. Risk consideration

Please refer to note 3 of the 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 2018 was:

	Currency exposure	
	Total 31.12.18 £'000	Total 31.12.17 £'000
Currency		
Euro	120	67
Sterling	101,668	109,589
US Dollar	(715)	177
Total	101,073	109,833

Interest rate risk profile of financial assets and liabilities as at 31 December 2018 was as follows:

	Floating rate financial assets 31.12.18 £'000	Fixed rate financial assets 31.12.18 £'000	Financial assets not carrying interest 31.12.18 £'000	Total 31.12.18 £'000
Currency				
Euro	409	38,165	(38,454)	120
Sterling	17,582	8,459	75,627	101,668
US Dollar	1,440	34,062	(36,217)	(715)
Total	19,431	80,686	956	101,073

Interest rate risk profile of financial assets and liabilities as at 31 December 2017 was as follows:

	Floating rate financial assets 31.12.17 £'000	Fixed rate financial assets 31.12.17 £'000	Financial assets not carrying interest 31.12.17 £'000	Total 31.12.17 £'000
Currency				
Euro	1,126	31,962	(33,020)	68
Sterling	4,364	10,058	95,168	109,590
US Dollar	73	60,489	(60,387)	175
Total	5,563	102,509	1,761	109,833

Monthly High Income Fund

Notes to the Financial Statements continued

For the year ended 31 December 2018

19. Efficient portfolio management techniques risk exposure

The exposure obtained through efficient portfolio management techniques and identity of counterparties as at 31 December 2018 was as follows:

(a) Swaps

Counterparty	Value of collateral	
	31.12.18 £'000	31.12.17 £'000
JP Morgan	(12)	310
Total	(12)	310

(b) Forwards

Counterparty	Market Value	
	31.12.18 £'000	31.12.17 £'000
Barclays	(296)	–
Citibank	(10)	(10)
HSBC	(10)	(4)
JP Morgan	7	(177)
Merrill Lynch	4	–
Standard Chartered	8	(66)
Total	(297)	(257)

(c) Futures

Counterparty	Market Value 31.12.18 £'000	Value of exposure 31.12.18 £'000
	31.12.18 £'000	31.12.17 £'000
Goldman Sachs	(4)	1,189
Total	(4)	1,189

Futures

Counterparty	Market Value 31.12.17 £'000	Value of exposure 31.12.17 £'000
	31.12.17 £'000	31.12.17 £'000
Goldman Sachs	–	–
Total	–	–

(d) Options

Counterparty	Market Value 31.12.18 £'000	Value of exposure 31.12.18 £'000
	31.12.18 £'000	31.12.17 £'000
Goldman Sachs	(16)	1,602
Total	(16)	1,602

Options

Counterparty	Market Value 31.12.17 £'000	Value of exposure 31.12.17 £'000
	31.12.17 £'000	31.12.17 £'000
Goldman Sachs	20	2,015
Total	20	2,015

20. Fair value

Valuation technique	31.12.18		31.12.17	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	42	(54)	28,892	–
Level 2	82,699	(320)	75,001	(257)
Level 3	–	–	–	–
Total fair value	82,741	(374)	103,893	(257)

The three levels of the fair value hierarchy under FRS 102 are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Monthly High Income Fund

Distribution Tables

For the year ended 31 December 2018

Interim distribution paid 31 March 2018

Group 1 – Shares purchased before 1 January 2018

Group 2 – Shares purchased between 1 January and 31 January 2018

	Net Income pence	Equalisation pence	Distribution paid 31.03.18 pence	Distribution paid 31.03.17 pence
'A' Class (Accumulation shares)				
Group 1	0.5004	–	0.5004	0.6686
Group 2	0.4144	0.0860	0.5004	0.6686
'A' Class (Income-2 shares)				
Group 1	0.2345	–	0.2345	0.2847
Group 2	0.0762	0.1583	0.2345	0.2847
'I' Class (Accumulation shares)				
Group 1	0.5024	–	0.5024	0.6170
Group 2	0.2328	0.2696	0.5024	0.6170
'I' Class (Income-2 shares)				
Group 1	0.3423	–	0.3423	0.4130
Group 2	0.1709	0.1714	0.3423	0.4130
'R' Class (Accumulation shares)				
Group 1	0.3300	–	0.3300	0.4103
Group 2	0.3300	–	0.3300	0.4103
'R' Class (Income-2 shares)				
Group 1	0.3236	–	0.3236	0.3909
Group 2	0.3236	–	0.3236	0.3909
'S' Class (Accumulation shares)				
Group 1	0.8419	–	0.8419	1.2061
Group 2	0.8419	–	0.8419	1.2061

Interim distribution paid 30 April 2018

Group 1 – Shares purchased before 1 February 2018

Group 2 – Shares purchased between 1 February and 28 February 2018

	Net Income pence	Equalisation pence	Distribution paid 30.04.18 pence	Distribution paid 30.04.17 pence
'A' Class (Accumulation shares)				
Group 1	0.5056	–	0.5056	0.6675
Group 2	0.2224	0.2832	0.5056	0.6675
'A' Class (Income-2 shares)				
Group 1	0.2345	–	0.2345	0.3000
Group 2	0.0695	0.1650	0.2345	0.3000
'I' Class (Accumulation shares)				
Group 1	0.5059	–	0.5059	0.6338
Group 2	0.2089	0.2970	0.5059	0.6338
'I' Class (Income-2 shares)				
Group 1	0.3424	–	0.3424	0.4355
Group 2	0.1352	0.2072	0.3424	0.4355
'R' Class (Accumulation shares)				
Group 1	0.3325	–	0.3325	0.4197
Group 2	0.3325	–	0.3325	0.4197
'R' Class (Income-2 shares)				
Group 1	0.3237	–	0.3237	0.4120
Group 2	0.3237	–	0.3237	0.4120
'S' Class (Accumulation shares)				
Group 1	0.8458	–	0.8458	1.0153
Group 2	0.8458	–	0.8458	1.0153

Monthly High Income Fund continued

Distribution Tables

For the year ended 31 December 2018

Interim distribution paid 31 May 2018

Group 1 – Shares purchased before 1 March 2018

Group 2 – Shares purchased between 1 March and 31 March 2018

	Net Income pence	Equalisation pence	Distribution paid 31.05.18 pence	Distribution paid 31.05.17 pence
'A' Class (Accumulation shares)				
Group 1	0.5098	–	0.5098	0.6729
Group 2	–	0.5098	0.5098	0.6729
'A' Class (Income-2 shares)				
Group 1	0.2345	–	0.2345	0.3000
Group 2	0.0774	0.1571	0.2345	0.3000
'I' Class (Accumulation shares)				
Group 1	0.5090	–	0.5090	0.6379
Group 2	0.0712	0.4378	0.5090	0.6379
'I' Class (Income-2 shares)				
Group 1	0.3426	–	0.3426	0.4357
Group 2	0.0719	0.2707	0.3426	0.4357
'R' Class (Accumulation shares)				
Group 1	0.3346	–	0.3346	0.4226
Group 2	0.3346	–	0.3346	0.4226
'R' Class (Income-2 shares)				
Group 1	0.3238	–	0.3238	0.4122
Group 2	0.3238	–	0.3238	0.4122
'S' Class (Accumulation shares)				
Group 1	0.8497	–	0.8497	1.0210
Group 2	0.8497	–	0.8497	1.0210

Interim distribution paid 30 June 2018

Group 1 – Shares purchased before 1 April 2018

Group 2 – Shares purchased between 1 April and 30 April 2018

	Net Income pence	Equalisation pence	Distribution paid 30.06.18 pence	Distribution paid 30.06.17 pence
'A' Class (Accumulation shares)				
Group 1	0.5117	–	0.5117	0.6741
Group 2	0.1445	0.3672	0.5117	0.6741
'A' Class (Income-2 shares)				
Group 1	0.2345	–	0.2345	0.3000
Group 2	0.0038	0.2307	0.2345	0.3000
'I' Class (Accumulation shares)				
Group 1	0.5111	–	0.5111	0.6402
Group 2	0.1064	0.4047	0.5111	0.6402
'I' Class (Income-2 shares)				
Group 1	0.3428	–	0.3428	0.4359
Group 2	0.0519	0.2909	0.3428	0.4359
'R' Class (Accumulation shares)				
Group 1	0.3359	–	0.3359	0.4239
Group 2	–	0.3359	0.3359	0.4239
'R' Class (Income-2 shares)				
Group 1	0.3239	–	0.3239	0.4124
Group 2	0.1265	0.1974	0.3239	0.4124
'S' Class (Accumulation shares)				
Group 1	0.8536	–	0.8536	1.0261
Group 2	0.8536	–	0.8536	1.0261

Distribution Tables

For the year ended 31 December 2018

Interim distribution paid 31 July 2018

Group 1 – Shares purchased before 1 May 2018

Group 2 – Shares purchased between 1 May and 31 May 2018

	Net Income pence	Equalisation pence	Distribution paid 31.07.18 pence	Distribution paid 31.07.17 pence
'A' Class (Accumulation shares)				
Group 1	0.5167	–	0.5167	0.6762
Group 2	–	0.5167	0.5167	0.6762
'A' Class (Income-2 shares)				
Group 1	0.2345	–	0.2345	0.3000
Group 2	0.0384	0.1961	0.2345	0.3000
'I' Class (Accumulation shares)				
Group 1	0.5146	–	0.5146	0.6429
Group 2	0.0140	0.5006	0.5146	0.6429
'I' Class (Income-2 shares)				
Group 1	0.3430	–	0.3430	0.4361
Group 2	0.0231	0.3199	0.3430	0.4361
'R' Class (Accumulation shares)				
Group 1	0.3384	–	0.3384	0.4257
Group 2	0.3384	–	0.3384	0.4257
'R' Class (Income-2 shares)				
Group 1	0.3241	–	0.3241	0.4125
Group 2	0.3241	–	0.3241	0.4125
'S' Class (Accumulation shares)				
Group 1	0.8578	–	0.8578	1.0315
Group 2	–	0.8578	0.8578	1.0315

Interim distribution paid 31 August 2018

Group 1 – Shares purchased before 1 June 2018

Group 2 – Shares purchased between 1 June and 30 June 2018

	Net Income pence	Equalisation pence	Distribution paid 31.08.18 pence	Distribution paid 31.08.17 pence
'A' Class (Accumulation shares)				
Group 1	0.5200	–	0.5200	0.6809
Group 2	–	0.5200	0.5200	0.6809
'A' Class (Income-2 shares)				
Group 1	0.2345	–	0.2345	0.3000
Group 2	–	0.2345	0.2345	0.3000
'I' Class (Accumulation shares)				
Group 1	0.5173	–	0.5173	0.6467
Group 2	–	0.5173	0.5173	0.6467
'I' Class (Income-2 shares)				
Group 1	0.3431	–	0.3431	0.4363
Group 2	–	0.3431	0.3431	0.4363
'R' Class (Accumulation shares)				
Group 1	0.3402	–	0.3402	0.4283
Group 2	0.3402	–	0.3402	0.4283
'R' Class (Income-2 shares)				
Group 1	0.3242	–	0.3242	0.4127
Group 2	0.3242	–	0.3242	0.4127
'S' Class (Accumulation shares)				
Group 1	0.8617	–	0.8617	1.0370
Group 2	0.0461	0.8156	0.8617	1.0370

Monthly High Income Fund continued

Distribution Tables

For the year ended 31 December 2018

Interim distribution paid 30 September 2018

Group 1 – Shares purchased before 1 July 2018

Group 2 – Shares purchased between 1 July and 31 July 2018

	Net Income pence	Equalisation pence	Distribution paid 30.09.18 pence	Distribution paid 30.09.17 pence
'A' Class (Accumulation shares)				
Group 1	0.6685	–	0.6685	0.6821
Group 2	–	0.6685	0.6685	0.6821
'A' Class (Income-2 shares)				
Group 1	0.2800	–	0.2800	0.3000
Group 2	–	0.2800	0.2800	0.3000
'I' Class (Accumulation shares)				
Group 1	0.6408	–	0.6408	0.6490
Group 2	–	0.6408	0.6408	0.6490
'I' Class (Income-2 shares)				
Group 1	0.4099	–	0.4099	0.4365
Group 2	–	0.4099	0.4099	0.4365
'R' Class (Accumulation shares)				
Group 1	0.4237	–	0.4237	0.4296
Group 2	0.4237	–	0.4237	0.4296
'R' Class (Income-2 shares)				
Group 1	0.3873	–	0.3873	0.4129
Group 2	0.3873	–	0.3873	0.4129
'S' Class (Accumulation shares)				
Group 1	1.0372	–	1.0372	1.0424
Group 2	0.1412	0.8960	1.0372	1.0424

Interim distribution paid 31 October 2018

Group 1 – Shares purchased before 1 August 2018

Group 2 – Shares purchased between 1 August and 31 August 2018

	Net Income pence	Equalisation pence	Distribution paid 31.10.18 pence	Distribution paid 31.10.17 pence
'A' Class (Accumulation shares)				
Group 1	0.6712	–	0.6712	0.6874
Group 2	–	0.6712	0.6712	0.6874
'A' Class (Income-2 shares)				
Group 1	0.2800	–	0.2800	0.3000
Group 2	–	0.2800	0.2800	0.3000
'I' Class (Accumulation shares)				
Group 1	0.6438	–	0.6438	0.6533
Group 2	–	0.6438	0.6438	0.6533
'I' Class (Income-2 shares)				
Group 1	0.4102	–	0.4102	0.4369
Group 2	–	0.4102	0.4102	0.4369
'R' Class (Accumulation shares)				
Group 1	0.4256	–	0.4256	0.4326
Group 2	0.4256	–	0.4256	0.4326
'R' Class (Income-2 shares)				
Group 1	0.3875	–	0.3875	0.4131
Group 2	0.3875	–	0.3875	0.4131
'S' Class (Accumulation shares)				
Group 1	1.0426	–	1.0426	1.0484
Group 2	1.0426	–	1.0426	1.0484

Distribution Tables

For the year ended 31 December 2018

Interim distribution paid 30 November 2018

Group 1 – Shares purchased before 1 September 2018

Group 2 – Shares purchased between 1 September and 30 September 2018

	Net Income pence	Equalisation pence	Distribution paid 30.11.18 pence	Distribution paid 30.11.17 pence
'A' Class (Accumulation shares)				
Group 1	0.6742	–	0.6742	0.6892
Group 2	–	0.6742	0.6742	0.6892
'A' Class (Income-2 shares)				
Group 1	0.2800	–	0.2800	0.3000
Group 2	–	0.2800	0.2800	0.3000
'I' Class (Accumulation shares)				
Group 1	0.6469	–	0.6469	0.6559
Group 2	–	0.6469	0.6469	0.6559
'I' Class (Income-2 shares)				
Group 1	0.4103	–	0.4103	0.4371
Group 2	0.0194	0.3909	0.4103	0.4371
'R' Class (Accumulation shares)				
Group 1	0.4277	–	0.4277	0.4342
Group 2	0.4277	–	0.4277	0.4342
'R' Class (Income-2 shares)				
Group 1	0.3877	–	0.3877	0.4133
Group 2	0.3877	–	0.3877	0.4133
'S' Class (Accumulation shares)				
Group 1	1.0481	–	1.0481	1.0538
Group 2	1.0481	–	1.0481	1.0538

Interim distribution paid 31 December 2018

Group 1 – Shares purchased before 1 October 2018

Group 2 – Shares purchased between 1 October and 31 October 2018

	Net Income pence	Equalisation pence	Distribution paid 31.12.18 pence	Distribution paid 31.12.17 pence
'A' Class (Accumulation shares)				
Group 1	0.6806	–	0.6806	0.6921
Group 2	0.0163	0.6643	0.6806	0.6921
'A' Class (Income-2 shares)				
Group 1	0.2800	–	0.2800	0.3000
Group 2	–	0.2800	0.2800	0.3000
'I' Class (Accumulation shares)				
Group 1	0.6516	–	0.6516	0.6590
Group 2	0.1170	0.5346	0.6516	0.6590
'I' Class (Income-2 shares)				
Group 1	0.4106	–	0.4106	0.4373
Group 2	–	0.4106	0.4106	0.4373
'R' Class (Accumulation shares)				
Group 1	0.4309	–	0.4309	0.4362
Group 2	0.4309	–	0.4309	0.4362
'R' Class (Income-2 shares)				
Group 1	0.3878	–	0.3878	0.4134
Group 2	0.3878	–	0.3878	0.4134
'S' Class (Accumulation shares)				
Group 1	1.0539	–	1.0539	1.0594
Group 2	1.0539	–	1.0539	1.0594

Monthly High Income Fund continued

Distribution Tables

For the year ended 31 December 2018

Interim distribution payable 31 January 2019

Group 1 – Shares purchased before 1 November 2018

Group 2 – Shares purchased between 1 November and 30 November 2018

	Net Income pence	Equalisation pence	Distribution payable 31.01.19 pence	Distribution paid 31.01.18 pence
'A' Class (Accumulation shares)				
Group 1	0.6876	–	0.6876	0.6969
Group 2	0.1406	0.5470	0.6876	0.6969
'A' Class (Income-2 shares)				
Group 1	0.2800	–	0.2800	0.3000
Group 2	0.0596	0.2204	0.2800	0.3000
'I' Class (Accumulation shares)				
Group 1	0.6566	–	0.6566	0.6630
Group 2	0.0884	0.5682	0.6566	0.6630
'I' Class (Income-2 shares)				
Group 1	0.4108	–	0.4108	0.4375
Group 2	0.1354	0.2754	0.4108	0.4375
'R' Class (Accumulation shares)				
Group 1	0.4344	–	0.4344	0.4389
Group 2	0.4344	–	0.4344	0.4389
'R' Class (Income-2 shares)				
Group 1	0.3880	–	0.3880	0.4136
Group 2	0.3880	–	0.3880	0.4136
'S' Class (Accumulation shares)				
Group 1	1.0598	–	1.0598	1.0652
Group 2	0.3827	0.6771	1.0598	1.0652

Interim distribution payable 28 February 2019

Group 1 – Shares purchased before 1 December 2018

Group 2 – Shares purchased between 1 December and 31 December 2018

	Net Income pence	Equalisation pence	Distribution payable 28.02.19 pence	Distribution paid 28.02.18 pence
'A' Class (Accumulation shares)				
Group 1	0.7248	–	0.7248	1.0134
Group 2	0.0236	0.7012	0.7248	1.0134
'A' Class (Income-2 shares)				
Group 1	0.2911	–	0.2911	0.3965
Group 2	0.1140	0.1771	0.2911	0.3965
'I' Class (Accumulation shares)				
Group 1	0.6865	–	0.6865	0.9344
Group 2	0.2552	0.4313	0.6865	0.9344
'I' Class (Income-2 shares)				
Group 1	0.4248	–	0.4248	0.5725
Group 2	0.1816	0.2432	0.4248	0.5725
'R' Class (Accumulation shares)				
Group 1	0.4562	–	0.4562	0.6238
Group 2	0.4562	–	0.4562	0.6238
'R' Class (Income-2 shares)				
Group 1	0.3955	–	0.3955	0.5415
Group 2	0.3955	–	0.3955	0.5415
'S' Class (Accumulation shares)				
Group 1	1.0961	–	1.0961	1.2317
Group 2	0.5631	0.5330	1.0961	1.2317

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.

Securities Financing Transactions ('SFTs') (Unaudited)

As at 31 December 2018

GLOBAL DATA

		Fund assets under management (AUM) £'000
Assets engaged in SFTs and total return swaps		
Monthly High Income Fund		101,073
Global Total Return Credit Fund		88,595

CONCENTRATION DATA

Counterparty	Counterparty's country of establishment	Underlying exposure value £'000	Settlement and clearing
Monthly High Income Fund			
JP Morgan	United States of America	(50.00)	Bi-lateral
Global Total Return Credit Fund			
JP Morgan	United States of America	(19.00)	Bi-lateral

AGGREGATE TRANSACTION DATA

Type, Quality and Currency of Collateral

Type	Quality	Currencies
Total return swaps		
Monthly High Income Fund		
n/a	n/a	n/a
Global Total Return Credit Fund		
n/a	n/a	n/a

There was no collateral granted by the Fund at 31 December 2018 in relation to the Total Return Swaps contracts held.

Maturity Tenor of SFTs and Total Return Swaps (remaining period to maturity)

	Less than one day £'000	One day to one week £'000	One week to one month £'000	One to three months £'000	Three months to one year £'000	Above one year £'000	Open transactions £'000	Total £'000
Monthly High Income Fund								
Total return swaps	–	–	–	–	(50)	–	–	(50)
Global Total Return Credit Fund								
Total return swaps	–	–	–	–	(19)	–	–	(19)

RETURN AND COST

	Collective Investment Undertaking £'000	Manager of Collective Investment Undertaking £'000	Third Parties (e.g. lending agent) £'000	Total £'000
Monthly High Income Fund				
Total return swaps				
Gross return	–	–	–	–
% of total gross return	–	–	–	–
Cost	–	–	–	–
Global Total Return Credit Fund				
Total return swaps				
Gross return	–	–	–	–
% of total gross return	–	–	–	–
Cost	–	–	–	–

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 2018 and will be distributed to shareholders, where applicable, on 28 February 2019. For accumulations shares income distribution payments are deemed to be paid on 28 February 2019.

Telephone calls

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

Cross holding table

There were no cross holdings between sub-funds in Investec Funds Series ii as at 31 December 2018.

UCITS V Directive on remuneration

The latest remuneration policy relating to the Authorised Corporate Director (ACD) is available from www.investecassetmanagement.com/remuneration or free of charge on request from the Registered Office.

Remuneration paid for 2017-18 to all staff employed by the management company, split into fixed and variable remuneration paid.

N/A – IFML does not employ any employees.

Aggregate remuneration paid for 2017-18 to senior management and members of staff whose actions have a material impact on the risk profile of IFML.

Aggregate Remuneration	£163,276
Senior Management	£159,940
Other individuals with material impact	£3,336
No of staff	9

Glossary (Unaudited)

Active management

An active investment approach is one where a portfolio manager aims to beat the market through research, analysis and his/her judgement. (See also passive management).

Asset allocation

A fund's allotment to different asset classes.

Asset class

The main types of investment available. The traditional asset classes are equities, bonds and cash.

Bear market

A market where prices fall consistently over a long period of time. Investors are referred to as 'bearish' if they believe prices are going to fall.

Benchmark

A comparative performance index.

Bond

A form of loan issued by a government or company. Typically, an investor should receive a regular coupon and the return of the principal originally lent when the bond matures. Note: Not all bonds are interest bearing (see zero coupon bond), and not all bonds are fixed rate (e.g. index linked, floating rate and stepped rate bonds).

Bottom-up investing

An investment approach that concentrates on the analysis of individual companies and considers the company's history, management and potential as more important than macroeconomic trends.

Bull market

A market where prices rise consistently over a long period of time. Investors are referred to as 'bullish' if they believe prices are going to rise.

Cash

The most liquid form in which to store capital. While it is regarded as a safe asset class, over time the purchasing power of cash tends to be eroded by inflation.

Central bank base rate

The basic rate of interest set by a central bank that determines the cost of borrowing.

Commodities

An asset class which comprises physical assets such as oil, base and precious metals and agricultural produce.

Credit rating agency

An institution that assigns credit ratings to debt issuers, such as companies and governments. Standard & Poor's and Moody's are well-known examples.

Credit risk

The risk that a bond issuer or borrower will be unable to meet their contractual obligations.

Credit spread

The differences in yield between 'risk-free' bonds, such as gilts or US treasuries, and non-treasury (or gilt) bonds, which are identical in all respects except for the quality of their rating. Corporate bonds tend to offer additional yield to compensate investors for the potential risk of default.

Currency risk

The risk of incurring losses of foreign assets due to adverse movements in exchange rates between domestic and foreign currencies.

Deflation

As opposed to inflation, it describes conditions in which there is a widespread, consistent decline in prices. It conveys the rarer occurrence of the money in one's pocket actually increasing in buying power, rather than the more usual opposite.

Derivatives

An instrument whose value depends on the performance of an underlying security or rate which requires no initial exchange of principal. Options, futures and swaps are all examples of derivatives.

Developed markets

Refers to industrialised countries with relatively high levels of economic productivity, high standards of living and stable economies.

Disinflation

Refers to a slowing down in price growth, as opposed to deflation where prices are already falling.

Diversification

Holding a range of assets to reduce risk.

Dividend

The portion of company net profits paid out to shareholders.

Glossary (Unaudited) continued

Dividend yield

The annual dividend per share divided by the current share price.

Duration

A measure of a bond investment's sensitivity to changes in interest rates. The longer the duration, the more sensitive it is. Calculating 'duration' for a fixed income investment such as a bond is a complicated sum. It takes into account the current value of the bond, the coupon or interest payment, the book cost, and the number of years the bond has left to run. Put simply, the higher the duration number the higher the potential return (and the greater the risk).

Emerging markets

Countries in the process of industrialising which tend to have rapidly growing economies.

Emerging market debt

Debt issued by governments and corporates in emerging markets.

Equity

Refers to shares. A share in a company provides an investor with part ownership of that company.

Fixed Income

An investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity.

Future

An obligation to buy or sell an asset on a specific date in the future at an agreed price.

Gilt

A bond that is issued by the British government which is generally considered low risk. Bonds issued by South African and Irish governments are also referred to as gilts.

Hedging

A technique seeking to offset or minimise the exposure to specific risk by entering an opposing position.

High yield bond

A below investment grade rated bond, providing the investor with greater returns due to its higher default risk. (See Junk bond).

Index-linked bonds

Bonds whose coupons and principal payment are linked to movements in inflation.

Inflation

Describes conditions in which there have been a consistent rise in prices.

Initial public offering (IPO)

The first public sale of a company's equity resulting in a quoted stock price on a stock exchange.

Interest

The return earned on funds which have been deposited, loaned, or invested.

Investment grade bonds

Bonds considered of the highest quality by credit rating agencies. The threshold credit rating for Standard & Poor's is BBB and Baa3 for Moody's.

Liabilities

Financial obligations that must be met.

Liquidity

The ease with which an asset can be sold at a reasonable price for cash.

Long dated bond

A bond with usually 15 years or more remaining before redemption, at which point the principal is paid to the holder.

Long-term investment

Holding an asset for an extended period of time. Depending on the security, a long-term asset can be held for as little as one year or for as long as 30 years.

Macroeconomic

Refers to the big trends in an economy as a whole, such as inflation and unemployment, while microeconomic forces refer to the factors affecting individual situations or companies.

Market capitalisation

The total value of a company's equity, calculated by the number of shares multiplied by their market price.

Glossary (Unaudited) continued

Maturity

With regards to bonds, maturity refers to the time at which the principal of the bond is repayable and it ceases to exist. In terms of a pension fund, it conveys the average age of the membership and the time until benefits are payable.

Outperformance

The return of a fund in excess of the comparative performance index.

Overweight

When a fund has greater exposure to an asset than the comparative performance index.

Peer group

A group of funds that can be compared with one another for performance purposes. A peer group will usually be based on the funds' investment scope, for example UK equities.

Performance

The results of an investment over a given period.

Portfolio

A grouping of financial assets, such as equities, bonds and cash equivalents. Portfolios are held directly by investors and/or managed by financial professionals.

Rally

A swift rise.

Real estate

An asset class comprising buildings and land.

Risk premium

The extra return expected by an investor in compensation for holding a risky asset.

Security

A general term for a tradable financial instrument.

Short-term investment

Investments that are held for or mature in 12 months or less.

Standard deviation

A measure of risk, deriving from the historic volatility of a particular asset.

Top-down investing

Contrasting with bottom-up analysis, a top-down approach to investment analysis begins with an assessment of macroeconomic factors, then business cycles before moving on to look at individual sectors and companies.

Treasuries

Debt securities issued by the US government. Treasuries fall under three categories: treasury bills (T-bills), treasury notes (T-notes) and treasury bonds (T-bonds).

Underweight

When a fund has less exposure to an asset than the benchmark.

Volatility

Price movements. Standard deviation is a measure of an asset's historic volatility.

Year-to-date (YTD)

Refers to the period extending from the beginning of the current calendar year to the present date.

Yield

A measure of the income return earned on an investment. In the case of a share the yield expresses the annual dividend payment as the percentage of the market price of the share. In the case of a property, it is the rental income as a percentage of the capital value. In the case of a bond the running yield (or flat or current yield) is the annual interest payable as a percentage of the current market price. The redemption yield (or yield to maturity) allows for any gain or loss of capital which will be realised at the maturity date.

Yield curve

A graphical representation of all the yields of bonds of the same quality with maturities ranging from the shortest to the longest available.

Yield spread

The difference in yield between different bonds.

Yield to maturity

The annualised return (internal rate of return) that would be earned on a bond if held to maturity.

Directory (Unaudited)

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