

Investec Responsible Investment Equity

Malcolm Gray



Out of the Ordinary®

 **Investec**
Asset Management

Communicating and explaining problems often requires a different perspective

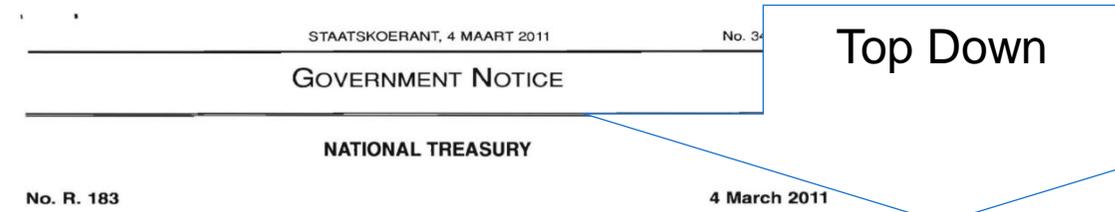


Changing the system

- Top down
 - Ecosystem approach
 - Thematic approach

- Bottom up
 - Information
 - Frameworks
 - Modelling
 - Application

Changing the system



PENSION FUNDS ACT, 1956: AMENDMENT OF REGULATION 28 OF THE
“28. Asset spreading requirements

Preamble

A fund has a fiduciary duty to act in the best interest of its members whose benefits depend on the responsible management of fund assets. This duty supports the adoption of a responsible investment approach to deploying capital into markets that will earn adequate risk adjusted returns suitable for the fund’s specific member profile, liquidity needs and liabilities. Prudent investing should give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund’s assets, including factors of an environmental, social and governance character. This concept applies across all assets and categories of assets and should promote the interests of a fund in a stable and transparent environment.



Fund factsheet
 Period ending 31 December 2010

Investec IAL RI Equity Fund

Investment proposition

Investec RI Equity is a responsible investment equity portfolio focused on investing in high quality, attractively valued companies with compelling environmental, social and governance (ESG) characteristics. The portfolio aims to deliver returns in excess of those available in the equity market over 3 to 5-year rolling periods. Investec RI Equity is distinguished from other equity funds in its integration of ESG factors within traditional fundamental analysis approach, and it aims to achieve its objectives through:

1. An **ESG thematic approach** which identifies those companies best positioned to benefit from the emerging and dominant environmental and/or social trends, and which are cognizant of the risks and opportunities inherent to these.
2. A **screened universe** which identifies companies with quality ESG reporting as well as appealing valuation, i.e. characteristics we see as a proxy for potential quality investment ideas.
3. **Leveraging the benefits of engagement** as a mechanism for enhancing and unlocking long term value.

Target investors

Investec RI Equity Fund is suitable for investors with a 3-5 year investment horizon who seek exposure to a focused responsible investment equity fund.

Performance (annualised) as at 31 December 2010

Benchmark	1 Year ¹	3 Year ²	5 Year ³
Alpha ⁴	21.2%	22.2%	17.0%
All Share Index	19.0%	20.9%	5.2%

¹ Source: Investec Asset Management. Returns are calculated on a time daily time weighted basis gross of fees. Net prices is calculated by dividing the market value by the number of units on a daily basis. Net asset returns are generally lower.
² Investment date: June 2008

Top equity holdings

Holder	% of Portfolio
Min Group Ltd	7.1
Tesco Ltd	6.3
Anglo Petroleum Holdings Ltd	3.7
Allegion Ltd	3.4
Alstom Tech Industriels Ltd	3.4
Wolselem Group Ltd	4.2
Capgemini Ltd	4.0
Anglo American plc	4.0
Adcock Ingram Holdings Ltd	3.8
China Holdings Ltd	3.7

Industry holdings

Holder	% of Equity
Basic Materials	23.7
Industrials	20.0
Financials	13.0
Telecommunications	11.4
Consumer Services	10.7
Consumer Goods	9.4
Oil & Gas	8.3
Health Care	3.8



Fund manager
 Pauline Gray

Vehicle
 Investec Assurance Limited Life Fund

Launch date
 June 2008

Fund manager
 Full Disclosure 0% Investment Mandate

Volatility profile
 High

Minimum investment
 £50 million

Fund size
 £294 million

Current status
 30 March 2011 - Active

Small investors@investec.com
 Tel: (01) 418 2000
 Fax: (01) 418 2001

All information and opinions contained in this report are based on information and data available to us at the time of writing. We do not accept any responsibility for any loss or damage caused by the use of this information. The information is provided for general information only and should not be used as a basis for investment decisions. The information is provided for general information only and should not be used as a basis for investment decisions. The information is provided for general information only and should not be used as a basis for investment decisions. The information is provided for general information only and should not be used as a basis for investment decisions.



Shifting the conversation

Stewardship | Investec Asset Management UK Region | United Kingdom - Windows Internet Explorer

http://www.investecassetmanagement.com/united-kingdom/about-us/stewardship/

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Stewardship

Investec Asset Management embraces the concept of active stewardship. We are remunerated by our clients for being stewards of their assets whilst they invest with us and therefore we recognise this places various responsibilities on us.

Our primary objective is to ensure that we allocate our clients' capital as efficiently as possible to preserve their wealth over the long term. We therefore take an active and transparent approach to voting and engagement with the companies in our portfolios. We aim to encourage and reward better corporate governance and business integrity. The goal of this is to benefit clients and also improve the broader environmental, social realms in which we invest.

PRi for Principle Responsible Investments

Our global proxy voting results will be published quarterly in arrears as of the second quarter 2011.

Stewardship Policy

Click here to download

[Stewardship Policy](#)

Proxy Voting Guidelines & Results

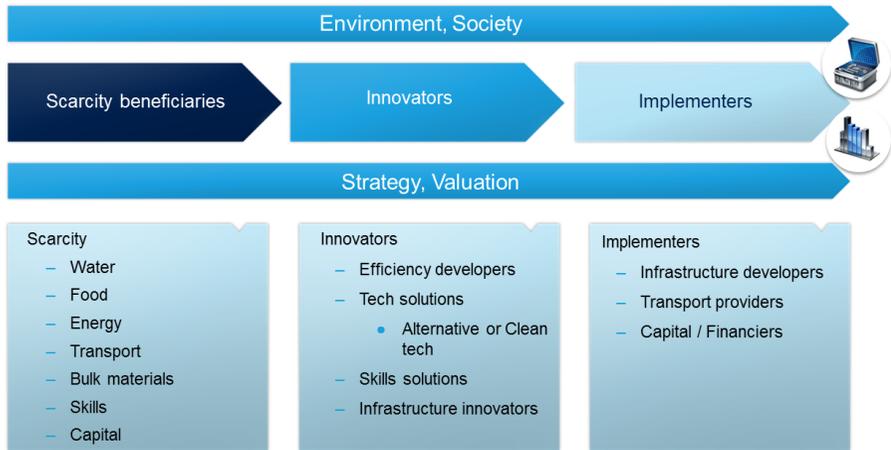
[Proxy voting guidelines and results](#)

Our global proxy voting results will be published quarterly

Internet 100%

Thematic Approaches

Our thinking construct for combining thematic and fundamentals ideas
Combining a Thematic (Top down) and a Fundamental (Bottom up) approach

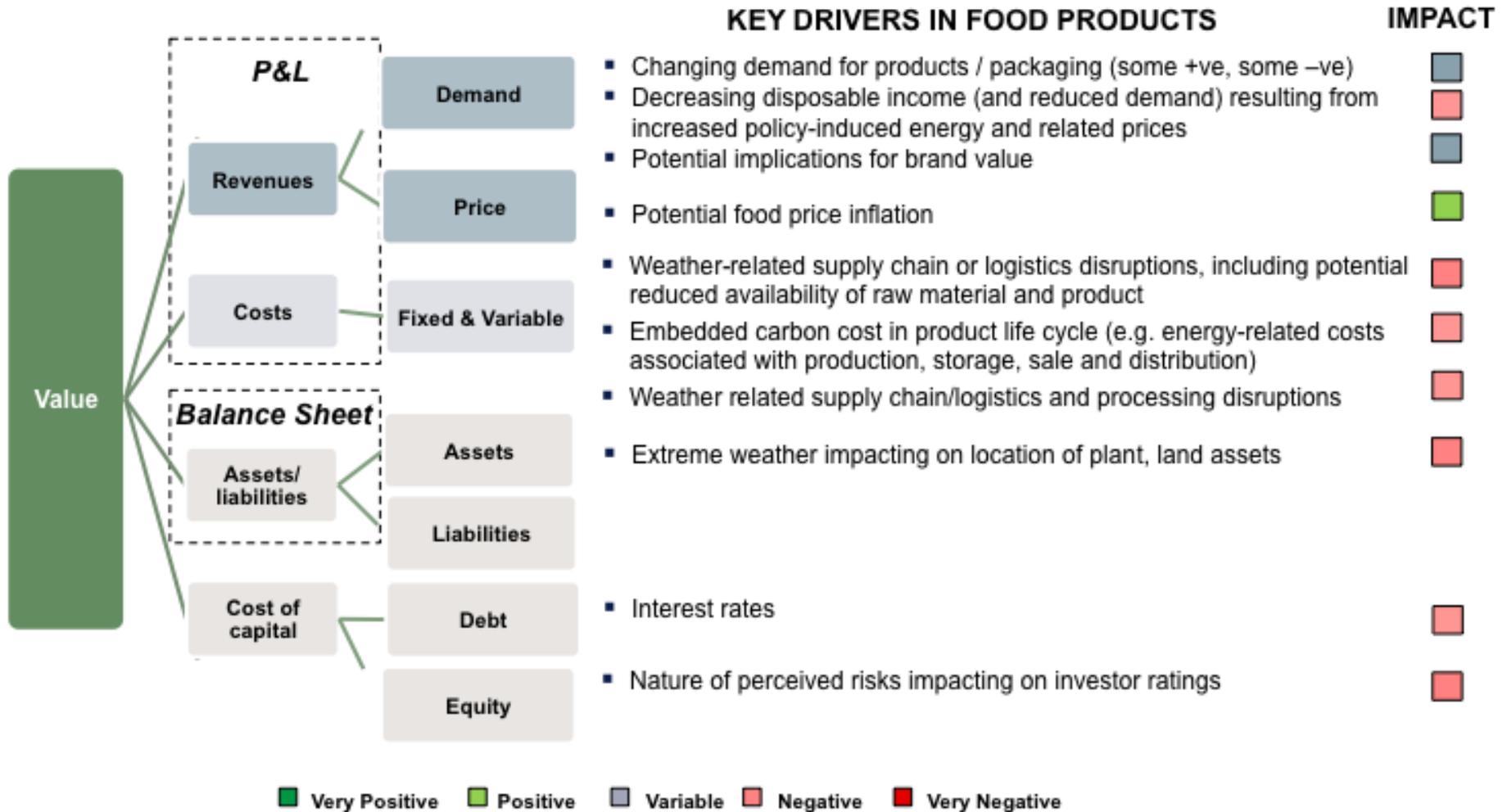


Understanding our Thematic approach Environment is one of the sustainability lens' we look through

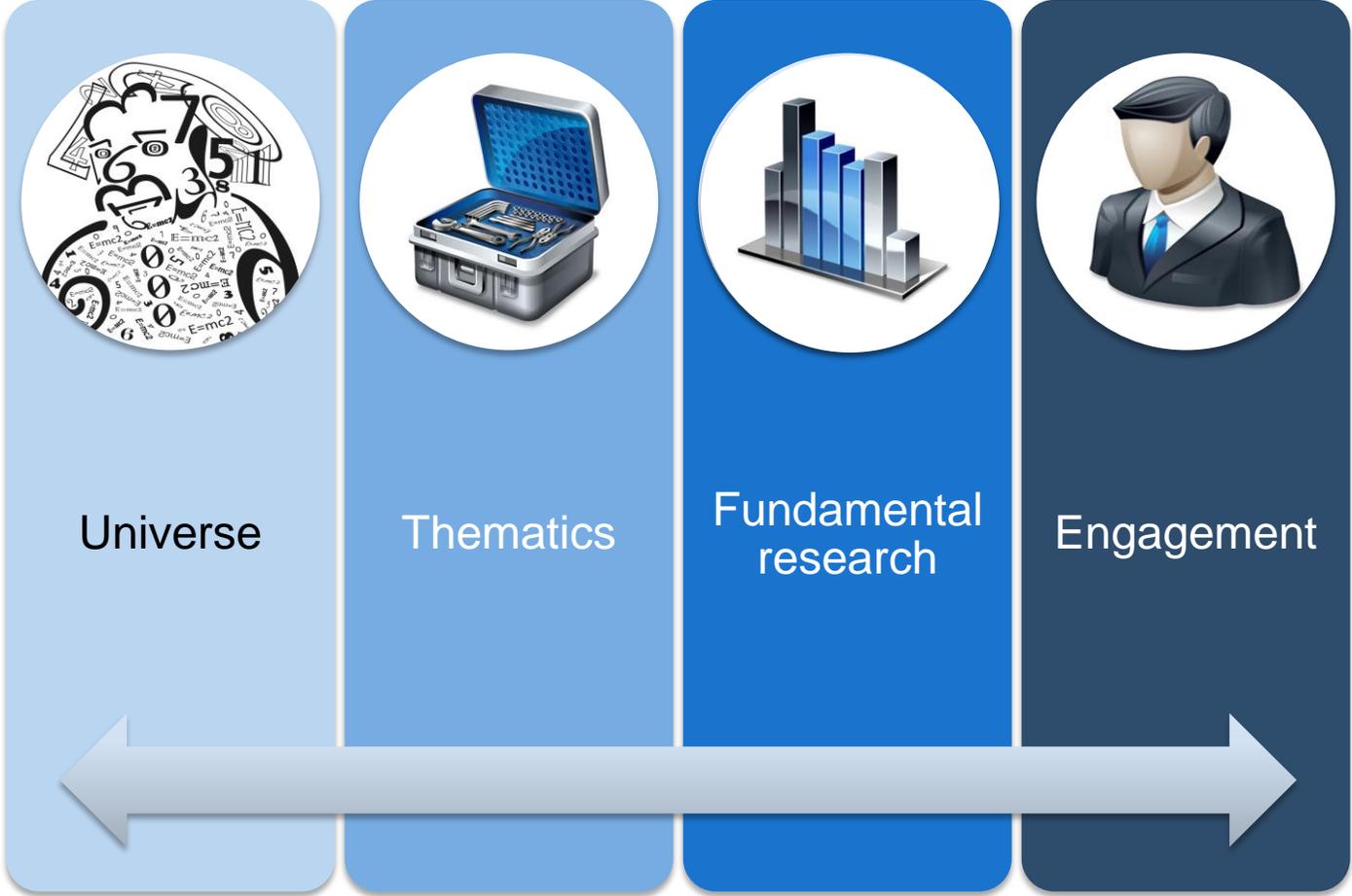


We seek to combine ESG thematics within our fundamental framework

Bottom up, a framework, thinking through the issues



Philosophy: Four pillars of our approach





MTN: Step 1 - Universe



SRI FILTER

Index	J203
Date	2012/08/03 12:00:00 AM
Historic PE	2.0
PE	2.0
DY	2.0
Forward Growth	2.0
Historic Growth	2.0
Four Factor	2.0

FILTER

UPDATE

TICKER	NAME	SECTOR	PRICE	M'CAP	IN SRI?	GOVERNANCE SCORE
IIC	StockName	Sector	ClosePrice	MarketCap	INSRI	GovScore
MTN	MTN GROUP	Telecommunications	15750	296 585	1	3.29

SRI Index Constituents for 2011

- MTN is a **JSE SRI** constituent, in the low impact category, with 7.5% weighting the index
- Participation in the **CDP** initiative with a moderate CDLI score of 75, Performance Band D, Emissions Intensity measure of 0.008tCO₂e per Subscriber
- Well covered in **Bloomberg ESG data** base with an overall disclosure score of 27.27

Carbon Disclosure Project

CDP 2012 Investor CDP 2012 Information Request
MTN Group





MTN: Step 2 – Thematics (Access, Innovation, Empowerment)

Bringing Communication Services to the Poor



Village Phone – A Tool for Empowerment

ICT-enabled energy efficiency translates into cost savings of approximately €600 billion via smart motor systems, logistics, buildings and grids

– SMART 2020

In 2009 the World Bank found that every 10% broadband penetration in low-and middle middle-income countries accelerates economic growth by 1.38%

Money transfer, new business models, revenue streams





MTN: Step 3 - Fundamentals

Update			
STOCK INFORMATION	MTN		07-Aug-12
Close Price (cps)	15 597	HEPS	1068.6
Shares in Issue(m)	1 883	NAV	4 720.8
Market Cap(Rm)	293 703	ROE	22.4%
Ave Mnth Value Traded(Rm)	20 962	CFROI (FY0)	13.6
Ave Mnth Volume Traded('000)	134 942	CFROI (FY1)	13.4
FYE1	31-Dec-12	Price/Free Cashflow	-
CON Recommendation	100 Buy		
RI Screen Scores		Sigma Score	14.0
RI Index?	YES	<u>Value</u>	3.0
HISTORIC PE	2.0	<u>Strategy</u>	3.0
PE	2.4	<u>Technical</u>	4.0
DY	3.4	<u>Dynamics</u>	4.0
GROWTH	2.5		

Recommendation	Hold (7.0%)
Historic PE	14.9X, 5y PE: 19.6X
Dividend yield	4.6%, 2yHG: 9%
Forward(Dec12) PE	12.1X, DY: 5.8%, 2yFG: 14%



MTN: Step 4 – Engagement (internal and external)

Intangible Value Assessment (IVA)

MTN Group Limited

MSCI
ESG Research

TICKER: MTN
 IVA INDUSTRY: Wireless Telecommunication Services
 GICS SUB-INDUSTRY: Wireless Telecommunication Services
 COUNTRY: South Africa

RATING DATE: Feb 01, 2012
 PREVIOUS RATING: AA
 RATING TREND: Upgrade ↑

IVA RATING

AAA

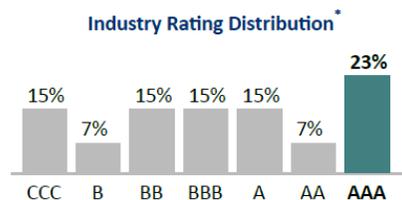
ESG PILLAR PERFORMANCE

	Score	Percentile*	Weight
Environmental	7.2	–	5.0%
Social	6.4	–	72.0%
Governance	3.6	–	23.0%

KEY ISSUES

	Score vs. Average	Percentile*	Controversies	Weight
Carbon Emissions	7.2 / 5.8	–	None	5.0%
Labor Management	8.7 / 6.3	–	None	18.0%
Privacy & Data Security	5.0 / 4.5	–	Moderate	24.0%
Access to Communications	6.0 / 3.0	–	None	30.0%
Corruption & Instability	3.0 / 5.1	–	Severe	18.0%
Corporate Governance	5.8 / 6.7	–	Minor	5.0%

COMPETITIVE SET



RATING COMMENT

We initiate coverage of MTN Group Limited at 'AAA' as the company takes advantage of the opportunities presented by increasing the access to communications for remote, rural, and low-income populations in Africa and the Middle East. The company also has a strong labor management strategy and is undertaking improvements to its network that will reduce its energy costs and carbon emissions. MTN has not demonstrated recognition of the risks it faces by operating in areas of political instability, and has been accused of using bribery to win its operating license in Iran.

- Risks
 - Privacy of data
 - Corruption
- Possible actions
 - Engagement
 - Proxy voting
- Purpose of engagement
 - Improved disclosure
 - Policy development
- Value
 - Reduce uncertainty
 - Unlock latent value / discount to fair value

Putting it all together – always still work in progress!!!

Investec Global Strategy Fund, 'A' shares, reported in USD

Investec Africa Opportunities Fund

Summary of investment objective

The Fund will aim to achieve long term total returns primarily through investment in equities of companies either domiciled in Africa, or which are established elsewhere but which are expecting a meaningful proportion of their business activities to be exposed to African opportunities.

Fund overview

Africa is gaining recognition as the next compelling growth story for investors. After a decade of out GDP growth, improved inflation, falling external debt and improved private capital flows, the continent could be near an upward tipping point. Capitalism is taking root across the continent. Signs of this are instances in surging mobile phone penetration and increasing investment from China and Asia. Africa 'resources story', with consumer, construction and infrastructure, technology and agriculture sectors in importance in the coming decades. Growth should be driven by a growing African consumer class demographics, significant untapped potential in its various renewable and unrenewable natural resource urbanisation.

Investec African Opportunities is designed to provide an entry point for investors looking to benefit from the growth potential of Africa. The Fund seeks to provide an investable, liquid, and actively managed way to participate in the African growth story. The Fund targets companies that are either based on the continent or based elsewhere but expecting a meaningful or growing proportion of their revenues from Africa. It should be noted that

As at end June 2012

Period ending 30 June 2012

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3. Leveraging the **benefit of engagement** as a mechanism for enhancing and unlocking long term value.

Target investors

Investec RI Equity Fund is suitable for investors with a 3 - 5 years investment horizon who seek exposure to a focussed Responsible Investment equity fund.

Performance (annualised) at 30 June 2012

Return %	1 Year	3 Years	Since inception ²
Actual ¹	5.9%	15.0%	11.5%
All Share Index	9.2%	18.4%	4.4%

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Asset Management

Thanks!



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