

Investec Funds Series II Annual Report and Accounts

For the year ended 31 December 2017



Investec Funds Series ii

Report and Accounts

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

American Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide long-term capital growth.

The Fund invests primarily in the shares of US companies or companies which carry out a large proportion of their business activities in the US.

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

Investec American Fund 'I' accumulation shares	9.84%*
Performance comparison index	10.62%**
Peer group sector	10.48%**

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 but underperformed its performance comparison index and peer group sector average.

Factors hindering performance

In terms of sectors, our overweight position and stock selection in consumer staples detracted from overall returns, primarily due to several tobacco stocks which underperformed amid the US's (United States) Food and Drug Administration's decision to look at reducing nicotine levels in cigarettes. Cigarette maker Philip Morris was one of these; however, it continues to benefit from strong brands, market shares and suite of fast-growing next generation products.

At the stock level, the biggest detractor from Fund performance over the period was Signet Jewelers. Negative headlines continued to weigh on Signet's share price during the year, including disappointing trading and concerns over the quality of its loan book and management. The holding was sold at the end of June as part of the portfolio manager transition.

Online travel services provider Priceline also held back returns, with its share price falling in November following disappointing profit guidance due to its heavy advertising spend to promote Booking.com, which it operates. However, we believe the structural growth story remains intact and these investment-driven pressures are short term.

Factors helping performance

At a sector level, the Fund's underweight exposure to the energy sector was the largest contributor to relative returns. Oil prices fell from c.US\$55 per barrel (bl) to US\$45/bl over the first half of the year, hurting most oil related companies, so it helped to have a low exposure to this sector. Oil prices have since recovered but the effect on the Fund has been relatively muted.

In the industrial sector, agricultural equipment provider Deere saw its share price rise significantly in 2017 on positive sentiment over its acquisition of Wirtgen Group, a world leader in roadbuilding machinery. The company's earnings also continually beat estimates and it lifted sales and earnings guidance for 2018. Meanwhile, technology giant Microsoft consistently exceeded expectations in its quarterly results over the year. It has successfully scaled its 'cloud' proposition, Azure, having made significant capital investment in recent years.

Of the Fund's holdings in the information technology sector, global payment provider Visa delivered consistently strong quarterly results on the back of steady growth in transactions volumes. Internet domain registration company Verisign also enjoyed a very positive year, benefiting from improved investor sentiment towards the stock, in addition to recording strong domain name registrations for the first three quarters.

Portfolio activity

As part of the portfolio manager transition effective 1 July 2017, the Fund was repositioned to reflect the new manager's investment process. The below trades are a selection of the biggest purchases and sales undertaken during this time.

Significant purchases

Visa; Priceline; Alphabet; Verisign; S+P Global; Becton Dickinson; Phillip Morris International; Mastercard; Altria; British American Tobacco.

Significant sales

Bank of America; Citigroup; American Express; Welbilt; Washington Federal; Leucadia National; Northern Trust; Signet Jewelers; Motorola Solutions.

Outlook

We believe we are experiencing a modest short-term rebound in global economic growth; however, over the long term, we expect this growth to remain sluggish. While markets bought into the growth story during the period, including expectations for higher interest rates in the US, the economic, political and market outlook remains highly uncertain.

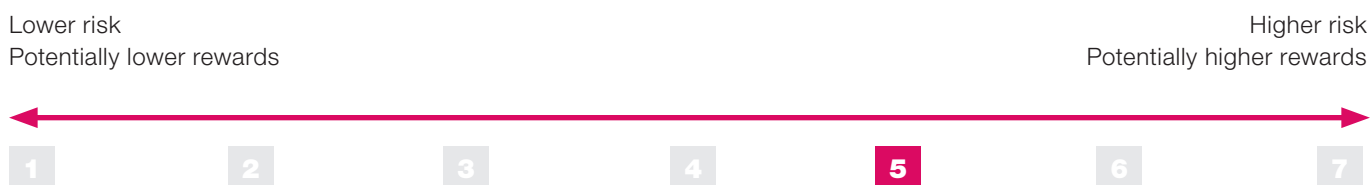
However, we do not believe the current market environment has significantly changed the core fundamentals of the quality companies we own in the portfolio, and they continue to compound cashflows at attractive rates. Given the uncertain outlook, and because we believe nothing has changed in terms of how quality companies can provide long-term outperformance, the opportunity provided by quality stocks appears to 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 December 2017.

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 Fund invests in a relatively small number of individual holdings. This may mean the value of the Fund may fluctuate more widely than more broadly invested funds.

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

Derivatives: The use of derivatives is not intended to increase the overall level of risk in the Fund. However, the use of derivatives may still lead to large changes in the value of the Fund and includes the potential for large 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 the value of the Fund may decrease whilst more broadly invested funds might grow.

Third party operational: The Fund's operations depend on third parties. Investors in the Fund may suffer disruption or financial loss in the event of third-party operational failure.

*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 VI of the Investec Funds Series Omnibus prospectus.

Asia ex Japan Fund

Summary of the Fund's investment objective and policy

The Fund aims to provide long-term capital growth.

The Fund invests primarily in the shares of companies in the Asian region (excluding Japan).

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

Investec Asia ex Japan Fund 'I' accumulation shares	40.39%*
Performance comparison index	29.45%**
Peer group sector	25.29%**

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

Performance review

The Fund produced a strong positive return over the period and comfortably outperformed both its performance comparison index and peer group sector average.

Factors helping performance

Our selection of Chinese stocks added the most relative value over the 12 months, including Geely Automobile, Kweichow Moutai, NetEase and Tencent.

The biggest contributor at the stock level was Chinese automobile maker Geely as the company defied an otherwise lacklustre year for Chinese automakers thanks to a well-received new product line-up, partly derived from its acquisition of Swedish automaker Volvo back in 2009. Our overweight position in Kweichow Moutai, China's leading liquor brand, also supported Fund performance. Moutai's share price rose sharply in 2017, making it the world's largest liquor company by market capitalisation. The increase came on the back of a series of positive news releases, not least the company CEO's upbeat announcement that it would increase the price of its products and the revelation that the company plans to implement three IPOs by the year 2020. Technology stocks NetEase and Tencent were among the key performers. Internet company NetEase enjoyed strong returns off the back of growth in mobile games. Tencent also added value as the Chinese internet provider continued to comfortably beat market expectations; its gaming and advertising revenues surprised on the upside, while good traction of its online video business showed market share gains.

Outside of China, stock selection in South Korea, namely holdings in LG Household & Health Care and Amorepacific, and Taiwanese stocks, such as Gourmet Master, also added to relative returns.

Factors hindering performance

At a stock level, our position in online travel services provider Priceline was the biggest detractor, with its share price falling in November following disappointing profit guidance due to its heavy advertising spend to promote Booking.com, which it operates. However, we believe the structural growth story remains intact and these investment-driven pressures are short term.

Financial stocks China Construction Bank, Bank of China and China Life Insurance also detracted from relative performance, as ongoing concerns about the asset quality of Chinese banks weighed on the sector. Market concerns include tightening liquidity in the interbank lending market and regulators clamping down on the issuance of wealth management products. These holdings were sold in October as part of the portfolio manager transition.

Portfolio activity

As part of the portfolio manager transition effective 16 October 2017, the Fund was repositioned to reflect the new manager's investment process. The below trades are a selection of the biggest purchases and sales undertaken during this time and throughout 2017 as a whole.

Significant purchases

Kweichow Moutai; Aristocrat Leisure; Amcor; Kone; HDFC Bank; Priceline; Domino's Pizza Enterprise; Reckitt Benckiser; Gourmet Master; LG Household & Health Care.

Significant sales

China Construction Bank; Hon Hai Precision Industry; Tencent (reduced the position); Taiwan Semiconductor Manufacturing (reduced the position); Geely Automobile; Samsung Electronics; CNOOC; Ping An Insurance; KB Financial; BOC Hong Kong.

Outlook

We believe we are experiencing a modest short-term rebound in global economic growth; however, over the long term, we expect this growth to remain sluggish. While markets bought into the growth story during 2017, the economic, political and market outlook remains highly uncertain.

However, we do not believe the current market environment has significantly changed the core fundamentals of the quality companies we own in the portfolio, and they continue to compound cashflows at attractive rates. Given the uncertain outlook, and because we believe nothing has changed in terms of how quality companies can provide long-term outperformance, the opportunity provided by quality stocks appears to remain attractive.

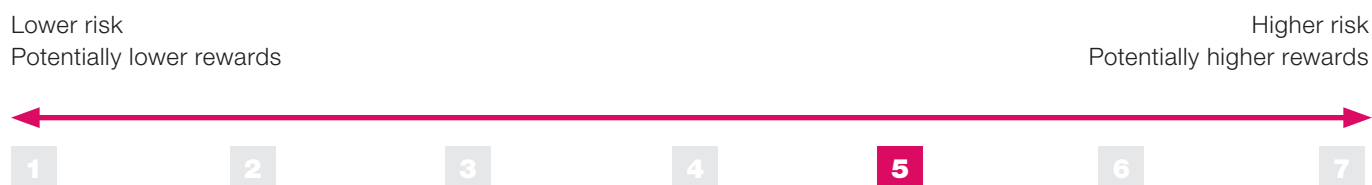
*Source: Morningstar, total return, income reinvested, no initial charge, accumulation share class, net of fees in GBP.

Index (MSCI* AC Asia Pacific ex Japan NDR Index; pre 16 October 2017 the MSCI AC Asia 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.

The opinions expressed herein are as at end of December 2017.

Risk and Reward profile*



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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:

Currency exchange: Changes in the relative values of different currencies may adversely affect the value of the Fund's 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.

Developing market: Some countries may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.

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.

Third party operational: The Fund's operations depend on third parties. Investors in the Fund may suffer disruption or financial loss in the event of third-party operational failure.

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

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

Investec Global Energy Fund 'I' accumulation shares	-13.06%*
Performance comparison index	-2.47%**
Peer group sector	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 12 months to 31 December 2017, underperforming its performance comparison index.

Factors hindering performance

Following oil production cuts from the Organisation of Petroleum Exporting Countries (OPEC) – as well as Non-OPEC countries such as Russia – agreed in November 2016, we expected oil inventories to fall given reduced supply, leading to a higher oil price. Subsequently, we held overweight positions in sectors such as exploration & production (E&P) and oilfield services, which we believed would benefit from these changes – E&P companies are typically more profitable when the oil price is high, and services companies benefit from increased production activity. Despite the decline in oil inventories as expected, our exposure to these sectors hurt the Fund's relative performance between February and September as oil prices reached a low of US\$45 per barrel in June and negative investor sentiment weighed on the market. More positively, our overweight allocations to both these sectors helped returns over the latter stages of the year as oil prices rose to finish 2017 at US\$67 per barrel.

Within E&P, the largest detractors at the stock level included QEP Resources and Pioneer Natural Resources. We owned QEP coming into the year because we felt it was attractively valued compared to its peers. Following the company's acquisition of assets in the Permian basin in late 2016, we expected QEP's share price to find support. However, poor operational performance in the Bakken basin and a relatively extended balance sheet weighed on the stock as oil prices weakened between March and September. We sold the position early in the third quarter. Pioneer Natural Resources had been a profitable position for us but published disappointing second quarter results: oil production volumes were lower than expected, and the increasingly high mix of natural gas caused analysts to mark down the company's longer term growth prospects. The potential size of the company's resource and promise of sustainable long-term oil production growth had earned Pioneer a premium market rating. Following the result, our concerns around the delivery of this growth led us to sell the position. Our exposure has shifted to a neutral (equal weight with the index) position within the E&P sector and we have retained our bias towards high quality names that are able to generate solid profits at lower oil prices.

In the oilfield services sector, US Silica was among the largest detractors. The company produces sand, which is used to prop open fracked (a process used to extract oil and gas) wells in shale rock formations. The stock was negatively impacted following concerns that the market would be over-supplied in addition to increased levels of competition. We have retained our holding given the company is a clear market leader and has a strong financial position. We also remain overweight oilfield services, more specifically in specialist areas such as pressure pumping (creating fractures in shale rock to release oil & gas and pumping cement into the well to stabilise it). As the US fracking industry grows, we believe that higher production activity should increase the profitability of companies in this sector.

Factors helping performance

Positive relative returns were driven by our stock selection within global integrated oil & gas companies (engaged in exploration, production, refining and distribution). Among the largest contributors was our underweight exposure to Exxon Mobil and overweight to Galp Energia. Our underweight position in Exxon helped performance as the company failed to demonstrate the same operational excellence as many of its peers like Royal Dutch Shell, missing its 2017 production and earnings targets. We remain underweight as we expect the company to stay under pressure in 2018 with further risks to production given the lack of major projects coming online. Portuguese company Galp Energia also performed well over the period, helped by robust production growth from its world class Brazilian deposits and solid cash flow generation. In addition to Galp's strong refining business, we also expect further upside from its exploration activities in areas such as Mozambique. Within the integrated sectors, we hold a preference for European companies as they appear cheaper than their US peers, pay attractive dividends and have a clear commitment to return additional cash to shareholders.

Our exposure to the refiner Valero Energy also contributed to relative performance as it continued to focus on returning cash to shareholders through both dividends and share buybacks. Despite a good period of performance, Valero continues to look attractively priced with room to move higher. With little or no growth to refining capacity and relatively strong demand for products, we believe the refining sector appears attractive and we continue to look for select opportunities.

We have been adding to the Fund's renewable energy allocation and this was a profitable area in 2017. The Fund's 25 holdings are spread across different technologies and geographies, in aggregate making up 10% of the Fund. We expect the world's adoption of renewable energy sources to grow considerably over the next two decades, as the energy transition continues and especially as the transportation system begins to decarbonize. Companies in this sector are significantly more profitable than they were even five years ago, and the combined effects of the financial crisis, the removal of European government subsidies and the deflationary effect of low-cost Chinese entrants in several key industries have improved balance sheets, corporate performance and operating profitability. We expect the Fund's allocation to renewable energy to grow over time.

Portfolio activity

Significant purchases

BP; Enbridge; Royal Dutch Shell 'B' Shares; Canadian Natural Resources; TransCanada; Baker Hughes; RPC; Chevron; Patterson – UTI Energy; US Silica.

Significant sales

BP; Occidental Petroleum; ConocoPhillips; Royal Dutch Shell 'B' Shares; Hess; TOTAL; Chevron; CNOOC; Pioneer Natural Resources; Anadarko Petroleum.

Outlook

The objective of OPEC's supply cuts is to reduce global inventories of crude oil and products to historical levels, thereby supporting higher oil prices. Although data is typically delayed and scarce, the timeliest data point – the US Department of Energy's weekly inventory report – suggests the strategy is working, with inventories continuing to fall through December and early January. While seasonally lower demand (usually between the months of February and April) could ease or reverse this decline in early 2018, we expect the trend to continue and OPEC to meet its aim at some point in the second half of the year. The re-emergence of geopolitical risk is also likely to be supportive of the oil price, however such risks are notoriously difficult to predict and could lead to prices becoming temporarily detached from the underlying fundamental drivers of the market. As oil prices have rallied, speculative betting from investors that oil prices will continue to rise has reached record levels relative to those who expected them to decline. While this appears positive for the sector, it also provides a note of caution as a small deterioration in supply/demand fundamentals could result in a large swing in investor sentiment.

We expect higher oil prices to lead to increased oil & gas investment through 2018. The portfolio reflects this belief with an overweight position to the oil services sector, which we believe will benefit from higher activity and greater pricing power. We also remain overweight European oil majors and renewable energy.

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

Index (MSCI* ACWI Energy NR) shown for performance comparison purposes only. For this Fund, there is no relevant Investment Association sector 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 2017.

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 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:

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

Derivatives: The use of derivatives is not intended to increase the overall level of risk in the Fund. However, the use of derivatives may still lead to large changes in the value of the Fund and includes the potential for large 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 the value of the Fund may decrease whilst more broadly invested funds might grow.

Third party operational: The Fund's operations depend on third parties. Investors in the Fund may suffer disruption or financial loss in the event of third-party operational failure.

*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 VI 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

Investec Global Strategic Equity Fund 'I' accumulation shares	18.84%*
Performance comparison index	13.24%**
Peer group sector	13.86%**

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

Performance review

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

Factors helping performance

Stock selection in North America and emerging markets contributed most to the Fund's performance. In the US, our relatively low exposure to certain consumer sectors such as tobacco (which came under regulatory pressure) proved particularly beneficial while in China, a sharply rising equity market along with favourable stock selection supported the Fund's performance. The Chinese economy was stronger than the market expected, boosting the share prices of many Chinese companies. The Fund's overweight exposure to the information technology sector contributed positively to relative returns – the sector had a strong year backed by significant revenue growth for many internet companies, US tax reform and some notable mergers and acquisitions.

Among the best performers was online payments company PayPal. A significant increase in its customer base and a successful partnership with Facebook, allowing easier mobile payments, benefited the stock. Another strong performer was our holding in Chinese internet company Alibaba, which saw its share price rise steadily, fuelled by post positive data from the Chinese economy and an increase in its revenue growth.

Our overweight position in Kweichow Moutai, China's leading liquor brand, also supported Fund performance. Moutai's share price rose sharply in 2017, making it the world's largest liquor company by market capitalisation. The increase came on the back of a series of positive news releases, not least the company CEO's upbeat announcement that it would increase the price of its products and the revelation that the company plans to implement three IPOs by the year 2020.

Factors hindering performance

Our overweight position in Puerto Rican bank Popular was one of the biggest detractors to Fund returns. At the start of the year, the bank released profit numbers that were below market expectations. As a result, analyst forecasts of future profits were lowered. The bank was also impacted adversely when the territory was hit by hurricane Maria in late September, leading to fears of increasing non-performing loans. Despite these developments, we remain confident that the bank can turn its fortunes around, thanks to its relatively well capitalised balance sheet and strength in its consumer loan business.

Within the media sector, US broadcaster CBS also detracted from the Fund's performance. Declining TV ratings and revenue, and stiff competition from online rivals, led to negative investor sentiment for the stock. We still remain invested in the company due to the strength of its content catalogue and its efforts to go direct to customers by developing the All Access platform.

Japanese automobile company Subaru also came under pressure in 2017. The company was hit by a scandal where it admitted to using uncertified staff to conduct the final inspection of its new cars. Subaru recalled 395,000 vehicles in Japan and estimated it would incur an additional cost of US\$177 million. The company still remains in our portfolio since we believe that recent cost saving efforts and realignment of its model line-up to focus on higher margin SUVs will start to bear fruit, enabling management to meaningfully increase capital redistribution.

Portfolio activity

Significant purchases

Asahi; Unilever; DXC Technology; Micro Focus International; Haseko; Las Vegas Sands; Extended Stay America; Cars.com; Bankia; Bank of America.

Significant sales

Activision Blizzard; Quest Diagnostics; Carnival; Priceline; Hewlett Packard Enterprise; Siemens; Popular; Sekisui House; Japan Tobacco; Koninklijke Abhold Delhaize.

Outlook

Following a year of strong equity returns it would be tempting to call an end – or at least a pause – in the market rally. While the perceived high market valuations have pushed many commentators to make this call recently, experience suggests that valuation levels rarely herald a market decline.

The normal catalyst for a downturn is central banks raising interest rates in the face of fears around accelerating inflation, yet it is hard to foresee this happening in the near-term. At the same time, the International Monetary Fund is forecasting a small acceleration in economic growth in 2018, which suggests that the probability of a recession remains low.

Also, historically, as rising equity or bull markets approach their peak, those lowly-rated stocks often referred to as value stocks finally become popular with investors too – and see a sharp rise in share price. Despite the long duration of the current rally, this has not happened yet. So-called value stocks remain particularly cheap – both relative to the market and historical averages – despite the value end of the market experiencing better-than-average upgrades to earnings forecasts. This anomaly has seen our portfolio generally demonstrate a clear valuation discount to the wider market (since we have a strong focus on value stocks). Moreover, companies in our portfolio are forecasted by analysts to grow at a faster pace than the rest of the market, while also enjoying stronger balance sheets.

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

Index (MSCI* All Countries World NDR Index) and sector (Investment Association Global 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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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.

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

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

Derivatives: The use of derivatives is not intended to increase the overall level of risk in the Fund. However, the use of derivatives may still lead to large changes in the value of the Fund and includes the potential for large financial loss.

Developing market: Some of the countries in which the Fund invests may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.

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.

Investing in China: Investment in mainland China may involve a higher risk of financial loss when compared with countries generally regarded as being more developed.

Third party operational: The Fund's operations depend on third parties. Investors in the Fund may suffer disruption or financial loss in the event of third-party operational failure.

*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 VI 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

Investec Monthly High Income Fund 'I' accumulation shares	5.21%*
Performance comparison index	6.71%**
Peer group sector	6.30%**

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 2017	8.03 pence
12 months to 31 December 2016	7.52 pence

Performance review

The Fund delivered a positive absolute return during the period of review, but underperformed 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 (CEO), 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

AMC Entertainment 6.375% 15/11/2024; Verisure 5.75% 01/12/2023; Iceland Bondco 4.625% 15/03/2025; La Financiere Atalian 4% 15/05/2024; Alpha 6.25% 01/02/2025; Tenet Healthcare 6% 01/10/2020; BWAY 5.5% 15/04/2024; Diamond Offshore Drilling 7.875% 15/08/2015; Casino Giuchard Perrachon 4.048% 05/08/2026; RAC Bond 5% 06/05/2046.

Significant sales

California Resources 8% 15/12/2022; Tesoro 4.75% 15/12/2023; Caesars Entertainment Resort Properties 11% 01/10/2021; APX 8.75% 01/12/2020; CenturyLink 7.5% 01/04/2024; Ensco 5.2% 15/03/2025; Iceland Bondco 4.625% 15/03/2025; Digi Communications 5% 15/10/2023; Nexstar Broadcasting 5.625% 01/08/2024; Equinax 5.875% 15/01/2026.

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 2017.

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 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.

Derivative counterparty: A counterparty to a derivative transaction may fail to meet its obligations to the Fund thereby leading to financial loss.

Derivatives: The use of derivatives may increase the overall risk in the Fund by multiplying the effect of both gains and losses. This may lead to large changes in the value of the Fund and potentially large 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 from the Fund and/or large fluctuations in the value of the Fund which may lead to larger financial losses than might be anticipated.

Third party operational: The Fund's operations depend on third parties. Investors in the Fund may suffer disruption or financial loss in the event of third-party operational failure.

*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 VI of the Investec Funds Series Omnibus prospectus.

American Fund

Portfolio statement

As at 31 December 2017

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
CONSUMER GOODS 19.00% (31.12.16: 15.43%)			
BEVERAGES			
PepsiCo	34,349	3,034	2.12
FOOD PRODUCERS			
Nestle	70,234	4,450	3.11
Blue Buffalo Pet Products	123,261	2,981	2.08
		7,431	5.19
PERSONAL GOODS			
Colgate-Palmolive	23,440	1,303	0.91
TOBACCO			
British American Tobacco	99,060	4,912	3.44
Altria	92,833	4,897	3.42
Philip Morris International	59,198	4,592	3.21
British American Tobacco ADR	20,525	1,011	0.71
		15,412	10.78
CONSUMER SERVICES 10.21% (31.12.16: 11.48%)			
MEDIA			
Twenty-First Century Fox	72,396	1,847	1.29
FactSet Research Systems	10,369	1,482	1.04
		3,329	2.33
TRAVEL & LEISURE			
Priceline	6,349	8,281	5.79
Compass	187,138	2,992	2.09
		11,273	7.88
FINANCIALS 20.95% (31.12.16: 26.32%)			
FINANCIAL SERVICES			
Visa	128,034	10,832	7.58
S&P Global	57,111	7,179	5.02
Mastercard	56,409	6,335	4.43
MSCI	30,016	2,808	1.96
Moody's	25,609	2,802	1.96
		29,956	20.95
HEALTH CARE 15.83% (31.12.16: 10.67%)			
HEALTH CARE EQUIPMENT & SERVICES			
Medtronic	93,616	5,634	3.94
Becton Dickinson	31,753	5,041	3.53
Stryker	43,593	5,021	3.51
Waters	28,652	4,129	2.89
		19,825	13.87
PHARMACEUTICALS & BIOTECHNOLOGY			
Zoetis	26,676	1,429	1.00
Johnson & Johnson	13,152	1,368	0.96
		2,797	1.96
INDUSTRIALS 2.10% (31.12.16: 10.38%)			
GENERAL INDUSTRIALS			
3M	8,357	1,458	1.02
SUPPORT SERVICES			
PayPal	28,208	1,548	1.08

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
OIL & GAS 0.00% (31.12.16: 2.20%)			
TECHNOLOGY 26.42% (31.12.16: 15.23%)			
SOFTWARE & COMPUTER SERVICES			
Microsoft	171,970	10,908	7.63
Alphabet 'C' Shares	12,709	9,853	6.89
VeriSign	93,852	8,022	5.61
Intuit	32,506	3,814	2.67
Facebook	21,028	2,769	1.94
Check Point Software Technologies	31,318	2,402	1.68
		37,768	26.42
Portfolio of investments		135,134	94.51
Net other assets		7,857	5.49
Net assets		142,991	100.00

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 Depository Receipts.

Asia ex Japan Fund

Portfolio statement

As at 31 December 2017

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
AUSTRALIA 17.71% (31.12.16: 0.00%)			
Aristocrat Leisure	656,203	8,997	4.32
Amcor	841,760	7,507	3.61
Domino's Pizza Enterprises	255,186	6,890	3.31
REA	104,700	4,645	2.23
Cochlear	45,293	4,489	2.16
CSL	52,872	4,322	2.08
		36,850	17.71
CHINA 28.58% (31.12.16: 29.72%)			
Tencent	412,100	15,844	7.62
Alibaba ADR	97,876	12,482	6.00
Kweichow Moutai	134,819	10,672	5.13
Sands China	1,949,600	7,440	3.58
TravelSky Technology	3,281,000	7,286	3.50
NetEase ADR	22,081	5,716	2.75
Real Gold Mining*	1,507,000	-	-
		59,440	28.58
FINLAND 3.55% (31.12.16: 0.00%)			
Kone	186,281	7,388	3.55
HONG KONG 6.12% (31.12.16: 18.19%)			
AIA	1,384,200	8,730	4.20
Techtronic Industries	833,500	4,002	1.92
		12,732	6.12
INDIA 9.14% (31.12.16: 8.01%)			
ITC	2,581,368	7,880	3.79
HDFC Bank	326,313	7,081	3.40
Hindustan Unilever	256,295	4,048	1.95
		19,009	9.14
INDONESIA 0.00% (31.12.16: 2.28%)			
LUXEMBOURG 0.00% (31.12.16: 2.29%)			
SINGAPORE 0.00% (31.12.16: 2.42%)			
SOUTH KOREA 15.13% (31.12.16: 18.70%)			
Samsung Electronics	7,338	12,926	6.20
Amorepacific	30,223	6,352	3.05
Hanssem	50,068	6,230	3.00
LG Household & Health Care	7,283	5,982	2.88
		31,490	15.13
TAIWAN 7.90% (31.12.16: 14.26%)			
Gourmet Master	769,000	8,291	3.99
Taiwan Semiconductor Manufacturing	1,426,357	8,124	3.91
		16,415	7.90
THAILAND 0.00% (31.12.16: 2.47%)			
UNITED KINGDOM 3.24% (31.12.16: 0.63%)			
Reckitt Benckiser	97,962	6,737	3.24
UNITED STATES OF AMERICA 3.20% (31.12.16: 0.00%)			
Priceline	5,100	6,652	3.20

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
VIETNAM 3.51% (31.12.16: 0.00%)			
Vietnam Dairy Products	1,075,046	7,309	3.51
Portfolio of investments		204,022	98.08
Net other assets		3,990	1.92
Net assets		208,012	100.00

* Suspended security.

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

Global Energy Fund

Portfolio statement

As at 31 December 2017

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
CANADA 18.01% (31.12.16: 7.65%)			
Suncor Energy	107,879	2,936	4.33
Enbridge	99,644	2,899	4.28
Canadian Natural Resources	74,395	1,980	2.92
TransCanada	47,332	1,706	2.52
Encana	103,146	1,020	1.50
CES Energy Solutions	239,778	910	1.34
Enerflex	84,933	761	1.12
		12,212	18.01
CHINA 1.86% (31.12.16: 0.46%)			
Shenzhen Inovance Technology	73,900	244	0.36
BYD	35,000	226	0.33
Xinyi Solar	738,200	211	0.31
Xinjiang Goldwind Science & Technology	164,380	207	0.31
Huaneng Renewables	794,000	199	0.29
Tianneng Power International	230,000	177	0.26
		1,264	1.86
DENMARK 1.13% (31.12.16: 0.11%)			
Novozymes	6,992	296	0.44
Orsted	6,910	279	0.41
Vestas Wind Systems	3,756	189	0.28
		764	1.13
FRANCE 8.29% (31.12.16: 6.50%)			
TOTAL	108,278	4,441	6.55
Gaztransport Et Technigaz	20,641	920	1.36
Schneider Electric	4,085	257	0.38
		5,618	8.29
GERMANY 0.00% (31.12.16: 0.09%)			
HONG KONG 3.56% (31.12.16: 3.43%)			
CNOOC	1,901,000	2,020	2.98
China Everbright International	232,000	244	0.36
Wasion	408,000	147	0.22
		2,411	3.56
HUNGARY 1.83% (31.12.16: 0.00%)			
MOL Hungarian Oil & Gas	144,472	1,237	1.83
INDIA 0.33% (31.12.16: 0.11%)			
Amara Raja Batteries	23,196	226	0.33
IRELAND 0.32% (31.12.16: 1.10%)			
Kingspan (London listing)	5,104	165	0.24
Kingspan (Ireland listing)	1,642	53	0.08
		218	0.32
ITALY 0.00% (31.12.16: 1.51%)			
NORWAY 2.30% (31.12.16: 1.55%)			
Statoil	98,486	1,562	2.30
PORTUGAL 2.38% (31.12.16: 1.21%)			
Galp Energia	117,566	1,610	2.38

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
RUSSIA 2.84% (31.12.16: 2.09%)			
Lukoil ADR (London listing)	33,681	1,432	2.11
Lukoil ADR (US listing)	11,609	492	0.73
		1,924	2.84
SPAIN 0.29% (31.12.16: 0.12%)			
Siemens Gamesa Renewable Energy	19,562	198	0.29
SWEDEN 1.65% (31.12.16: 1.12%)			
Lundin Petroleum	67,572	1,121	1.65
SWITZERLAND 0.26% (31.12.16: 0.00%)			
Guoxuan High Tech	68,360	173	0.26
UNITED KINGDOM 16.59% (31.12.16: 14.18%)			
Royal Dutch Shell 'B' Shares	224,720	5,588	8.24
BP	987,062	5,128	7.57
Hurricane Energy	1,685,631	531	0.78
		11,247	16.59
UNITED STATES 38.01% (31.12.16: 56.28%)			
Chevron	32,255	2,997	4.42
Exxon Mobil	45,720	2,842	4.19
EOG Resources	33,333	2,675	3.95
Schlumberger	44,410	2,217	3.27
Halliburton	59,979	2,156	3.18
Valero Energy	30,448	2,080	3.07
Baker Hughes	67,905	1,578	2.33
Noble Energy	61,413	1,333	1.97
Andeavor	13,862	1,183	1.75
Devon Energy	34,602	1,069	1.58
Patterson-UTI Energy	58,157	975	1.44
Parsley Energy	41,660	920	1.36
Cimarex Energy	7,803	709	1.05
US Silica	29,760	707	1.04
Ormat Technologies	6,650	316	0.47
Itron	5,657	286	0.42
Hannon Armstrong Sustainable Infrastructure Capital*	15,131	270	0.40
AO Smith	5,855	267	0.39
Acuity Brands	1,765	232	0.34
Pattern Energy	13,660	218	0.32
First Solar	4,027	204	0.30
Advanced Energy Industries	3,980	203	0.30
SolarEdge Technologies	5,790	162	0.24
Tesla	667	156	0.23
		25,755	38.01
Portfolio of investments		67,540	99.65
Net other assets		236	0.35
Net assets		67,776	100.00

* 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 ADR's represent American Depositary Receipts.

Global Strategic Equity Fund

Portfolio statement

As at 31 December 2017

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
AUSTRALIA 0.83% (31.12.16: 0.77%)			
South32	2,627,575	5,292	0.83
AUSTRIA 1.03% (31.12.16: 0.00%)			
Raiffeisen Bank International	245,981	6,565	1.03
BELGIUM 0.00% (31.12.16: 0.91%)			
BRAZIL 0.59% (31.12.16: 0.59%)			
Itau Unibanco ADR	389,669	3,729	0.59
CHINA 10.13% (31.12.16: 7.07%)			
Alibaba ADR	127,343	16,240	2.55
Kweichow Moutai	138,550	10,967	1.72
Shanghai International Airport	2,037,562	10,413	1.64
China Construction Bank	12,078,000	8,235	1.29
Anhui Conch Cement	1,962,500	6,802	1.07
Baidu ADR	34,672	6,023	0.95
New China Life Insurance	1,148,700	5,809	0.91
		64,489	10.13
DENMARK 2.25% (31.12.16: 0.80%)			
Novo Nordisk	359,227	14,334	2.25
FINLAND 1.03% (31.12.16: 1.34%)			
UPM-Kymmene	284,971	6,577	1.03
FRANCE 3.42% (31.12.16: 3.37%)			
Teleperformance	79,441	8,402	1.32
BNP Paribas	125,642	6,926	1.09
Arkema	70,936	6,414	1.01
		21,742	3.42
GERMANY 0.00% (31.12.16: 2.65%)			
HONG KONG 1.03% (31.12.16: 0.51%)			
CNOOC	6,185,000	6,572	1.03
IRELAND 1.07% (31.12.16: 0.00%)			
AIB	1,435,795	6,828	1.07
ISRAEL 0.60% (31.12.16: 1.55%)			
Nice ADR	56,554	3,795	0.60
ITALY 1.48% (31.12.16: 1.66%)			
Poste Italiane	1,688,851	9,418	1.48
JAPAN 8.94% (31.12.16: 10.00%)			
Asahi	374,100	13,751	2.16
Haseko	980,500	11,280	1.77
Komatsu	294,000	7,877	1.24
Sompo	221,700	6,363	1.00
Nippon Telegraph & Telephone	158,500	5,526	0.87
SCREEN	88,600	5,368	0.84
Subaru	199,200	4,692	0.74
Yokohama Rubber	112,000	2,035	0.32
		56,892	8.94
MALAYSIA 0.00% (31.12.16: 0.91%)			
MEXICO 0.72% (31.12.16: 0.80%)			
Grupo Mexico	1,949,230	4,612	0.72

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
MONACO 0.24% (31.12.16: 0.45%)			
Scorpio Tankers	678,319	1,556	0.24
NETHERLANDS 2.11% (31.12.16: 5.24%)			
NN	232,544	7,458	1.17
ING	437,140	5,963	0.94
		13,421	2.11
PANAMA 0.00% (31.12.16: 1.50%)			
PUERTO RICO 0.99% (31.12.16: 2.47%)			
Popular	237,229	6,293	0.99
RUSSIA 1.52% (31.12.16: 0.95%)			
MMC Norilsk Nickel ADR (US listing)	344,130	4,758	0.75
Polymetal International	473,866	4,324	0.68
MMC Norilsk Nickel ADR (London listing)	41,693	576	0.09
		9,658	1.52
SINGAPORE 1.87% (31.12.16: 1.63%)			
Broadcom	61,701	11,888	1.87
SOUTH KOREA 2.51% (31.12.16: 1.57%)			
Samsung Electronics	5,397	9,507	1.49
LG Chem	23,287	6,520	1.02
		16,027	2.51
SPAIN 2.97% (31.12.16: 1.66%)			
Repsol	814,529	10,758	1.69
Bankia	2,223,658	7,880	1.24
Repsol Rights Issue 10/01/2018	814,529	275	0.04
		18,913	2.97
SWITZERLAND 1.37% (31.12.16: 1.38%)			
ABB	441,870	8,717	1.37
TURKEY 0.56% (31.12.16: 0.80%)			
Emlak Konut Gayrimenkul Yatirim*	6,458,956	3,551	0.56
UNITED KINGDOM 6.17% (31.12.16: 1.84%)			
Unilever	296,587	12,188	1.92
Micro Focus International	336,925	8,447	1.33
Delphi Technologies	166,300	6,513	1.02
Nomad Foods	509,441	6,342	1.00
Meggitt	1,187,940	5,752	0.90
		39,242	6.17
UNITED STATES 45.47% (31.12.16: 44.90%)			
Citigroup	321,654	17,871	2.81
PayPal	266,843	14,646	2.30
Amazon.com	16,162	14,183	2.23
DXC Technology	188,759	13,265	2.08
Alphabet 'A' Shares	16,770	13,103	2.06
UnitedHealth	72,648	11,972	1.88
Welbilt	588,305	10,241	1.61
Shire	263,568	10,236	1.61
Cars.com	476,946	10,170	1.60
Las Vegas Sands	190,483	9,864	1.55
Priceline	7,492	9,772	1.54
Chemed	53,580	9,615	1.51
Bank of America	421,355	9,290	1.46
VMware	92,507	8,668	1.36
Extended Stay America	614,780	8,577	1.35
CBS	194,980	8,550	1.34
Johnson & Johnson	80,650	8,386	1.32
Tyson Foods	129,053	7,788	1.22
Ally Financial	350,592	7,629	1.20
Lincoln National	126,804	7,257	1.14
ON Semiconductor	437,772	6,846	1.08
Wyndham Worldwide	78,154	6,748	1.06
Morgan Stanley	173,021	6,741	1.06

Portfolio statement continued

As at 31 December 2017

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
UNITED STATES 45.47% (31.12.16: 44.90%) (continued)			
Thermo Fisher Scientific	46,481	6,574	1.03
Vantiv	118,696	6,483	1.02
Comcast	217,263	6,477	1.02
Lam Research	45,957	6,310	0.99
Delta Air Lines	145,162	6,053	0.95
CME	55,843	6,047	0.95
Valero Energy	86,556	5,913	0.93
Zimmer Biomet	58,963	5,313	0.83
Alexion Pharmaceuticals	59,134	5,262	0.83
Hess	97,310	3,484	0.55
		289,334	45.47
Portfolio of investments		629,445	98.90
Net other assets		6,983	1.10
Net assets		636,428	100.00

* Real Estate Investment Trust (REIT).

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Stocks shown as ADR's represent American Depositary Receipts.

Monthly High Income Fund

Portfolio statement

As at 31 December 2017

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
BONDS 94.29% (31.12.16: 96.99%)			
CORPORATE BONDS – MATURITY 0 TO 5 YEARS 9.55% (31.12.16: 8.28%)			
Tenet Healthcare 6% 01/10/2020	USD 1,810,000	1,414	1.29
Scientific Games International 10% 01/12/2022	USD 1,550,000	1,260	1.14
Peabody Energy 6% 31/03/2022	USD 1,615,000	1,240	1.13
TalkTalk Telecom 5.375% 15/01/2022	GBP 1,240,000	1,207	1.10
FTS International 6.25% 01/05/2022	USD 1,570,000	1,127	1.02
KLX 5.875% 01/12/2022	USD 1,430,000	1,106	1.01
Nielsen Finance 5% 15/04/2022	USD 1,370,000	1,044	0.95
NRG Energy 6.25% 15/07/2022	USD 1,155,000	892	0.81
Intrum Justitia 2.75% 15/07/2022	EUR 850,000	757	0.69
Valeant Pharmaceuticals International 5.375% 15/03/2020	USD 602,000	447	0.41
		10,494	9.55
CORPORATE BONDS – MATURITY 5 TO 15 YEARS 79.70% (31.12.16: 85.72%)			
Petrobras Global Finance 4.75% 14/01/2025	EUR 2,000,000	1,961	1.79
CCO 5.125% 01/05/2023	USD 2,040,000	1,541	1.40
Alpha 3 6.25% 01/02/2025	USD 1,920,000	1,459	1.33
CBS Radio 7.25% 01/11/2024	USD 1,865,000	1,454	1.32
Jaguar Land Rover Automotive 3.875% 01/03/2023	GBP 1,400,000	1,450	1.32
Casino Giuchard Perrachon 4.048% 05/08/2026	EUR 1,500,000	1,441	1.31
HCA 5% 15/03/2024	USD 1,840,000	1,419	1.29
AMC Entertainment 6.375% 15/11/2024	GBP 1,405,000	1,409	1.28
Telecom Italia 2.375% 12/10/2027	EUR 1,580,000	1,401	1.28
ARD Finance 6.625% 15/09/2023	EUR 1,470,000	1,392	1.27
La Financiere Atalian 4% 15/05/2024	EUR 1,500,000	1,387	1.26
Diamond Offshore Drilling 7.875% 15/08/2025	USD 1,800,000	1,387	1.26
Newfield Exploration 5.375% 01/01/2026	USD 1,767,000	1,385	1.26
BWAY 5.5% 15/04/2024	USD 1,793,000	1,382	1.26
Catalent Pharma Solutions 4.75% 15/12/2024	EUR 1,460,000	1,379	1.26
Ziggo Secured Finance 4.25% 15/01/2027	EUR 1,490,000	1,371	1.25
Dufry One 2.5% 15/10/2024	EUR 1,500,000	1,353	1.23
CEMEX Finance 4.625% 15/06/2024	EUR 1,400,000	1,347	1.23
Constellium 6.625% 01/03/2025	USD 1,720,000	1,337	1.22
Builders FirstSource 5.625% 01/09/2024	USD 1,710,000	1,314	1.20
Reynolds 7% 15/07/2024	USD 1,650,000	1,310	1.19
Concho Resources 4.375% 15/01/2025	USD 1,700,000	1,307	1.19
Dell International 6.02% 15/06/2026	USD 1,600,000	1,300	1.18
Endeavor Energy Resources 5.5% 30/01/2026	USD 1,711,000	1,289	1.17
Antero Midstream Partners 5.375% 15/09/2024	USD 1,685,000	1,286	1.17
Adient Global 4.875% 15/08/2026	USD 1,630,000	1,237	1.13
Lennar 4.75% 29/11/2027	USD 1,614,000	1,229	1.12
Iron Mountain US 5.375% 01/06/2026	USD 1,595,000	1,224	1.11
FAGE International 5.625% 15/08/2026	USD 1,680,000	1,202	1.09
Verisure Midholding 5.75% 01/12/2023	EUR 1,340,000	1,198	1.09
American Axle & Manufacturing 6.25% 01/04/2025	USD 1,510,000	1,180	1.07
Spectrum Brands 4% 01/10/2026	EUR 1,250,000	1,176	1.07
AECOM 5.125% 15/03/2027	USD 1,565,000	1,174	1.07
Wind Tre 3.125% 20/01/2025	EUR 1,352,000	1,166	1.06
Kronos International 3.75% 15/09/2025	EUR 1,270,000	1,160	1.06
Wynn Las Vegas 5.5% 01/03/2025	USD 1,510,000	1,158	1.05
United States Steel 6.875% 15/08/2025	USD 1,500,000	1,154	1.05
WMG Acquisition 4.125% 01/11/2024	EUR 1,210,000	1,131	1.03
Extraction Oil & Gas 7.375% 15/05/2024	USD 1,430,000	1,127	1.03
RESIDOMO 3.375% 15/10/2024	EUR 1,243,000	1,124	1.02
International Game Technology 6.5% 15/02/2025	USD 1,350,000	1,124	1.02
CTC BondCo 5.25% 15/12/2025	EUR 1,260,000	1,118	1.02
Europcar 4.125% 15/11/2024	EUR 1,252,000	1,110	1.01

Portfolio statement continued

As at 31 December 2017

ASSET	HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
CORPORATE BONDS – MATURITY 5 TO 15 YEARS 79.70% (31.12.16: 85.72%) (continued)			
MPT Operating Partnership 5.25% 01/08/2026	USD 1,432,000	1,107	1.01
Vertiv 9.25% 15/10/2024	USD 1,400,000	1,106	1.01
Fiat Chrysler Automobiles 5.25% 15/04/2023	USD 1,418,000	1,096	1.00
Plastipak 6.25% 15/10/2025	USD 1,430,000	1,090	0.99
UPC 3.875% 15/06/2029	EUR 1,278,000	1,087	0.99
Parsley Finance 5.25% 15/08/2025	USD 1,460,000	1,085	0.99
IHO Verwaltungs 3.25% 15/09/2023	EUR 1,170,000	1,081	0.98
Open Text 5.875% 01/06/2026	USD 1,354,000	1,072	0.98
Quintiles 3.5% 15/10/2024	EUR 1,150,000	1,063	0.97
Arrow Global Finance (FRN) 2.875% 01/04/2025	EUR 1,200,000	1,054	0.96
Alcoa Nederland 6.75% 30/09/2024	USD 1,270,000	1,025	0.93
Cheniere Energy Partners 5.25% 01/10/2025	USD 1,354,000	1,022	0.93
Zayo Capital 5.75% 15/01/2027	USD 1,340,000	1,016	0.93
T-Mobile USA 6.5% 15/01/2026	USD 1,241,000	1,000	0.91
Nabors Industries 5.5% 15/01/2023	USD 1,390,000	998	0.91
NGPL PipeCo 4.875% 15/08/2027	USD 1,290,000	989	0.90
Ardagh Packaging Finance 6% 15/02/2025	USD 1,260,000	983	0.89
Hilcorp Energy 5% 01/12/2024	USD 1,341,000	982	0.89
Sinclair Television 5.125% 15/02/2027	USD 1,280,000	940	0.86
Diebold Nixdorf 8.5% 15/04/2024	USD 1,130,000	890	0.81
Virgin Media Secured Finance 5.125% 15/01/2025	GBP 850,000	884	0.80
Unitymedia 3.75% 15/01/2027	EUR 910,000	833	0.76
United 4.875% 01/07/2024	EUR 900,000	830	0.76
INEOS 5.625% 01/08/2024	USD 1,000,000	766	0.70
Hughes Satellite Systems 5.25% 01/08/2026	USD 1,000,000	755	0.69
MEDNAX 5.25% 01/12/2023	USD 920,000	694	0.63
Belden 4.125% 15/10/2026	EUR 700,000	665	0.60
Unitymedia 3.75% 15/01/2027	EUR 680,000	614	0.56
Virgin Media Secured Finance 5% 15/04/2027	GBP 560,000	569	0.52
Belden 2.875% 15/09/2025	EUR 640,000	567	0.52
INEOS Finance 2.125% 15/11/2025	EUR 633,000	557	0.51
Cleveland-Cliffs 5.75% 01/03/2025	USD 740,000	521	0.47
Koppers 6% 15/02/2025	USD 580,000	456	0.42
Vantiv 3.875% 15/11/2025	GBP 390,000	393	0.36
Trinseo Materials Finance 5.375% 01/09/2025	USD 514,000	393	0.36
Sirius XM Radio 5% 01/08/2027	USD 523,000	388	0.35
Petrobras Global Finance 8.75% 23/05/2026	USD 350,000	308	0.28
Arrow Global Finance 5.125% 15/09/2024	GBP 300,000	303	0.28
Bombardier 7.5% 01/12/2024	USD 397,000	298	0.27
		87,533	79.70
CORPORATE BONDS – MATURITY 15+ YEARS 5.04% (31.12.16: 2.99%)			
RAC Bond 5% 06/05/2046	GBP 1,440,000	1,417	1.29
CPUK Finance 4.875% 28/02/2047	GBP 1,210,000	1,228	1.12
AA Bond 5.5% 31/07/2043	GBP 1,189,000	1,198	1.09
ATF Netherlands 3.75% Perpetual	EUR 1,100,000	1,039	0.95
Telefonica Europe 3.75% Perpetual	EUR 700,000	654	0.59
		5,536	5.04
DERIVATIVES – CREDIT DEFAULT SWAPS 0.28% (31.12.16: 0.13%)			
JP Morgan – iTraxx Europe Crossover 500 BPS 20/12/2022	1,730,000	192	0.17
JP Morgan – CDX HY CDSI Series 29 5 Year PRC Corp 500 BPS 20/12/2022	1,910,000	118	0.11
		310	0.28
DERIVATIVES – CREDIT DEFAULT SWAPTION 0.02% (31.12.16: 0.04%)			
Goldman Sachs – CDX HY CDSI Series 29 5 Year PRC Corp 500 BPS 20/12/2022 (Strike Price USD103)	12,000,000	20	0.02

ASSET			HOLDING	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
FORWARD CURRENCY CONTRACTS (0.23%) (31.12.16: (2.55%))					
Euro					
Buy EUR	570,000	for GBP	(510,679)	(4)	–
Sell EUR	(38,424,924)	for GBP	33,940,499	(178)	(0.16)
US Dollar					
Buy USD	3,000,000	for GBP	(2,241,240)	(23)	(0.02)
Sell USD	(86,164,939)	for GBP	63,663,879	(52)	(0.05)
				(257)	(0.23)
Portfolio of investments [^]				103,636	94.36
Net other assets				6,197	5.64
Net assets				109,833	100.00

[^] Including derivative liabilities.

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 default swaptions and the forward foreign exchange contracts are not listed.

Portfolio statement continued

As at 31 December 2017

Portfolio Analysis

ASSET	31.12.17		31.12.16	
	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
Bonds	103,563	94.29	109,730	96.99
Derivatives	330	0.30	201	0.17
Forward Foreign Exchange Contracts	(257)	(0.23)	(2,888)	(2.55)
Net other assets	6,197	5.64	6,095	5.39
Net assets	109,833	100.00	113,138	100.00

Credit Breakdown*

ASSET	31.12.17		31.12.16	
	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)	MARKET VALUE (£'000)	PERCENTAGE OF NET ASSETS (%)
BBB	2,339	2.13	–	–
BB	49,628	45.18	44,602	39.41
B	42,285	38.51	51,793	45.79
CCC	9,311	8.47	13,335	11.79
Total Bonds	103,563	94.29	109,730	96.99

*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 five 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. Shareholders are not liable for the debts of the Company.

Accounting period covered by these accounts

The accounting period covered in these accounts is from 1 January 2017 to 31 December 2017.

Changes during the accounting period

Changes made following required notice:

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

- On 31 January 2017, of the change in the way interest payments from bond funds are taxed, which affects the Monthly High Income Fund. All interest payments are now paid without the deduction of any income tax (i.e. gross) rather than with the deduction of income (i.e. net) from 6 April 2017.

- On 31 January 2017, of the removal of the 'net' and 'gross' classifications in share class names. All of the share classes in our Funds were classified as either 'net' or 'gross'. From 7 April 2017 the distinction was no longer needed. For example, the 'Monthly High Income Fund, A, Acc, Net, GBP' share class is now just to be referred to as the 'Monthly High Income Fund, A, Acc, GBP'.
- On 31 January 2017, of the introduction of the capability to compulsorily convert (i.e. move) all investors in a share class to another share class in the same Fund where we reasonably believe it to be in the interests of shareholders. This was introduced into the Prospectus on 7 April 2017.

Share class launches and closures:**The following share class was closed on 31 January 2017:**

Asia ex Japan, S, accumulation, Net, GBP

The following share classes were launched on 31 January 2017:

Global Strategic Equity, I, accumulation, Net, GBP Hedged

Other changes made:

The Prospectus was updated (on 31 January 2017) to remove references to short reports. Shareholders were informed on 31 January 2017 that short reports would no longer be sent and also where shareholders could continue to find and obtain information about the Funds.

The Prospectus was updated (on 7 April 2017) to include the appointment of Investec Asset Management North America, Inc., a company incorporated in the state of Delaware, USA (effective 1 June 2017), in relation to assistance in the exercise of investment management duties pursuant to a Sub-Investment Management Agreement.

The Prospectus was updated (on 7 April 2017) to include the China Interbank Bond Market as an eligible securities market.

The Prospectus was updated (on 7 July 2017) to say 'The General Administrative Charge is up to 0.08%', rather than 'The General Administrative Charge is 0.08%'.

The Prospectus was updated (on 31 August 2017) to reflect the fact that the Company's administrator had changed its name from International Financial Data Services Limited to DST Financial Services International Limited and the Company's registrar had changed its name from International Financial Data Services (UK) Limited to DST Financial Services Europe Limited.

The Prospectus was updated (on 31 August 2017) with a new eligible markets list and a new eligible derivatives markets list, which lists the securities and derivative markets open at Company rather than Fund level.

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

K. McFarland
Director of the ACD

D. Aird
Director of the ACD

15 March 2018

Statement of Authorised Corporate Director's (ACD) 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.

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

Statement of Depositary's Responsibilities 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 of the Investec Funds Series ii ('the Company') for the year ended 31 December 2017.

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

15 March 2018

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 2017 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 49 to 97.

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 2017 and of the net revenue/deficit of revenue 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 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Authorised Corporate Director is responsible for the other information, which comprises the Authorised Corporate Director's Report. 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 33 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

15 March 2018

American Fund

Comparative tables

As at 31 December 2017

Financial year	'A' Class (Accumulation shares)			'A' Class (GBP Hedged Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	322.86	225.24	222.79	200.40	170.38	177.04
Return before operating charges*	34.47	101.77	6.10	39.89	32.96	(3.76)
Operating charges	(5.36)	(4.15)	(3.65)	(3.56)	(2.94)	(2.90)
Return after operating charges*	29.11	97.62	2.45	36.33	30.02	(6.66)
Distributions	–	(0.40)	(0.07)	–	(0.22)	(0.02)
Retained distributions on accumulation shares	–	0.40	0.07	–	0.22	0.02
Closing net asset value per share	351.97	322.86	225.24	236.73	200.40	170.38
*after direct transaction costs of:	0.21	0.16	0.07	0.14	0.11	0.05
Performance						
Return after charges	9.02%	43.34%	1.10%	18.13%	17.62%	(3.76%)
Other information						
Closing net asset value (£'000)	74,106	72,188	64,837	305	287	219
Closing number of shares	21,054,382	22,359,127	28,785,293	128,895	143,134	128,731
Operating charges	1.59%	1.60%	1.60%	1.63%	1.65%	1.65%
Direct transaction costs [‡]	0.06%	0.06%	0.03%	0.06%	0.06%	0.03%
Prices						
Highest share price	358.68	326.73	244.89	239.27	203.22	183.96
Lowest share price	315.30	202.30	205.53	198.90	148.68	160.22
Financial year	'A' Class (USD Accumulation shares)			'B' Class (Accumulation shares)		
	31.12.17 (c)	31.12.16 (c)	31.12.15 (c)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	397.45	334.04	348.01	333.20	231.88	228.77
Return before operating charges*	85.34	68.95	(8.42)	35.62	104.94	6.24
Operating charges	(6.90)	(5.54)	(5.55)	(4.67)	(3.62)	(3.13)
Return after operating charges*	78.44	63.41	(13.97)	30.95	101.32	3.11
Distributions	–	(0.47)	(0.13)	(0.00)	(1.09)	(0.71)
Retained distributions on accumulation shares	–	0.47	0.13	0.00	1.09	0.71
Closing net asset value per share	475.89	397.45	334.04	364.15	333.20	231.88
*after direct transaction costs of:	0.27	0.21	0.10	0.22	0.16	0.07
Performance						
Return after charges	19.74%	18.98%	(4.01%)	9.29%	43.70%	1.36%
Other information						
Closing net asset value (USD'000)/(£'000)	509	648	646	8,149	8,188	6,533
Closing number of shares	106,859	163,017	193,258	2,237,827	2,457,392	2,817,467
Operating charges	1.59%	1.60%	1.60%	1.34%	1.35%	1.35%
Direct transaction costs [‡]	0.06%	0.06%	0.03%	0.06%	0.06%	0.03%
Prices						
Highest share price	480.02	402.70	361.61	371.06	337.18	251.65
Lowest share price	394.74	291.90	314.43	325.47	208.32	211.40

Comparative tables

As at 31 December 2017

Financial year	'I' Class (Accumulation shares)			'R' Class (Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	212.97	147.48	144.78	215.42	149.55	147.18
Return before operating charges*	22.84	66.95	3.95	23.07	67.77	4.01
Operating charges	(1.88)	(1.46)	(1.25)	(2.46)	(1.90)	(1.64)
Return after operating charges*	20.96	65.49	2.70	20.61	65.87	2.37
Distributions	(1.12)	(1.55)	(1.19)	(0.57)	(1.13)	(0.84)
Retained distributions on accumulation shares	1.12	1.55	1.19	0.57	1.13	0.84
Closing net asset value per share	233.93	212.97	147.48	236.03	215.42	149.55
*after direct transaction costs of:	0.14	0.10	0.04	0.14	0.10	0.04
Performance						
Return after charges	9.84%	44.41%	1.86%	9.57%	44.05%	1.61%
Other information						
Closing net asset value (£'000)	56,062	37,846	23,966	293	224	177
Closing number of shares	23,965,409	17,770,717	16,250,525	124,188	104,282	118,082
Operating charges	0.84%	0.85%	0.85%	1.09%	1.10%	1.10%
Direct transaction costs [†]	0.06%	0.06%	0.03%	0.06%	0.06%	0.03%
Prices						
Highest share price	238.33	215.51	159.47	240.48	217.99	162.01
Lowest share price	208.13	132.57	134.22	210.47	134.39	136.23

Comparative tables

As at 31 December 2017

Financial year	'S' Class (Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share			
Opening net asset value per share	254.83	175.16	170.67
Return before operating charges*	27.43	79.89	4.66
Operating charges	(0.25)	(0.22)	(0.17)
Return after operating charges*	27.18	79.67	4.49
Distributions	(3.35)	(3.37)	(2.71)
Retained distributions on accumulation shares	3.35	3.37	2.71
Closing net asset value per share	282.01	254.83	175.16
*after direct transaction costs of:	0.17	0.12	0.05
Performance			
Return after charges	10.67%	45.48%	2.63%
Other information			
Closing net asset value (£'000)	3,700	3,288	2,404
Closing number of shares	1,312,035	1,290,102	1,372,192
Operating charges	0.09%	0.10%	0.10%
Direct transaction costs [‡]	0.06%	0.06%	0.03%
Prices			
Highest share price	287.24	257.85	188.39
Lowest share price	249.20	157.57	159.00

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.

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 ex Japan Fund

Comparative tables

As at 31 December 2017

Financial year	'A' Class (Accumulation shares)			'B' Class (Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	480.56	388.59	408.49	4,906.17	3,957.19	4,149.38
Return before operating charges*	198.92	99.30	(12.56)	2,033.55	1,012.98	(128.48)
Operating charges	(9.86)	(7.33)	(7.34)	(86.19)	(64.00)	(63.71)
Return after operating charges*	189.06	91.97	(19.90)	1,947.36	948.98	(192.19)
Distributions	(3.38)	(4.53)	(3.39)	(49.78)	(57.15)	(45.39)
Retained distributions on accumulation shares	3.38	4.53	3.39	49.78	57.15	45.39
Closing net asset value per share	669.62	480.56	388.59	6,853.53	4,906.17	3,957.19
*after direct transaction costs of:	2.15	0.88	0.79	22.03	9.04	7.99
Performance						
Return after charges	39.34%	23.67%	(4.87%)	39.69%	23.98%	(4.63%)
Other information						
Closing net asset value (£'000)	63,092	55,348	58,955	5,299	4,131	3,864
Closing number of shares	9,422,105	11,517,436	15,171,771	77,315	84,207	97,649
Operating charges	1.68%	1.71%	1.75%	1.43%	1.46%	1.50%
Direct transaction costs [‡]	0.37%	0.21%	0.19%	0.37%	0.21%	0.19%
Prices						
Highest share price	673.26	528.75	487.98	6,890.67	5,395.74	4,960.36
Lowest share price	480.98	342.93	345.19	4,910.49	3,492.38	3,512.09
Financial year	'I' Class (Accumulation shares)			'R' Class (Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	237.17	190.34	198.58	137.88	110.94	116.03
Return before operating charges*	98.52	48.86	(6.22)	57.23	28.41	(3.61)
Operating charges	(2.72)	(2.03)	(2.02)	(2.02)	(1.47)	(1.48)
Return after operating charges*	95.80	46.83	(8.24)	55.21	26.94	(5.09)
Distributions	(3.89)	(3.82)	(3.20)	(1.83)	(1.90)	(1.57)
Retained distributions on accumulation shares	3.89	3.82	3.20	1.83	1.90	1.57
Closing net asset value per share	332.97	237.17	190.34	193.09	137.88	110.94
*after direct transaction costs of:	1.07	0.44	0.38	0.62	0.25	0.22
Performance						
Return after charges	40.39%	24.60%	(4.15%)	40.04%	24.28%	(4.39%)
Other information						
Closing net asset value (£'000)	139,131	108,062	90,573	490	284	376
Closing number of shares	41,784,476	45,562,993	47,585,001	253,921	205,871	338,607
Operating charges	0.93%	0.96%	1.00%	1.18%	1.21%	1.25%
Direct transaction costs [‡]	0.37%	0.21%	0.19%	0.37%	0.21%	0.19%
Prices						
Highest share price	334.76	260.60	237.73	194.13	151.56	138.81
Lowest share price	237.38	168.08	168.63	138.00	97.93	98.37

Comparative tables

As at 31 December 2017

Financial year	'S' Class (Accumulation shares) ⁽¹⁾		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share			
Opening net asset value per share	512.64	408.35	422.86
Return before operating charges*	33.28	105.26	(13.43)
Operating charges	(1.02)	(0.97)	(1.08)
Return after operating charges*	32.26	104.29	(14.51)
Return to shareholder as a result of class closure	(544.90)	–	–
Distributions	–	(11.66)	(10.10)
Retained distributions on accumulation shares	–	11.66	10.10
Closing net asset value per share	–	512.64	408.35
*after direct transaction costs of:	1.95	0.95	0.81
Performance			
Return after charges	6.29%	25.54%	(3.43%)
Other information			
Closing net asset value (USD'000)	–	314	165
Closing number of shares	–	61,158	40,416
Operating charges	0.19%	0.21%	0.25%
Direct transaction costs [‡]	0.37%	0.21%	0.19%
Prices			
Highest share price	544.90	562.50	507.28
Lowest share price	513.07	360.91	360.82

(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.

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 2017

Financial year	'A' Class (Accumulation shares)			'A' Class (USD Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (c)	31.12.16 (c)	31.12.15 (c)
Change in net assets per share						
Opening net asset value per share	229.13	153.98	204.65	281.83	228.15	319.38
Return before operating charges*	(28.16)	78.14	(47.56)	(10.55)	57.72	(86.62)
Operating charges	(3.25)	(2.99)	(3.11)	(4.17)	(4.04)	(4.61)
Return after operating charges*	(31.41)	75.15	(50.67)	(14.72)	53.68	(91.23)
Distributions	(2.33)	(2.49)	(1.89)	(3.16)	(3.07)	(2.80)
Retained distributions on accumulation shares	2.33	2.49	1.89	3.16	3.07	2.80
Closing net asset value per share	197.72	229.13	153.98	267.11	281.83	228.15
*after direct transaction costs of:	0.36	0.33	0.39	0.47	0.45	0.58
Performance						
Return after charges	(13.71%)	48.81%	(24.76%)	(5.22%)	23.53%	(28.56%)
Other information						
Closing net asset value (£'000)/(USD'000)	25,379	33,577	23,834	1,640	1,759	1,760
Closing number of shares	12,836,146	14,654,103	15,478,271	613,927	624,259	771,645
Operating charges	1.63%	1.63%	1.64%	1.63%	1.63%	1.64%
Direct transaction costs [‡]	0.18%	0.18%	0.21%	0.18%	0.18%	0.21%
Prices						
Highest share price	234.42	232.27	231.10	286.30	288.93	344.58
Lowest share price	176.78	133.41	148.08	227.87	188.26	223.35
Financial year	'I' Class (Accumulation shares)			'I' Class (Income shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	249.46	166.40	219.51	80.39	54.54	73.50
Return before operating charges*	(30.64)	84.80	(51.28)	(9.86)	27.84	(17.17)
Operating charges	(1.93)	(1.74)	(1.83)	(0.62)	(0.61)	(0.58)
Return after operating charges*	(32.57)	83.06	(53.11)	(10.48)	27.23	(17.75)
Distributions	(4.17)	(4.20)	(3.53)	(1.34)	(1.38)	(1.21)
Retained distributions on accumulation shares	4.17	4.20	3.53	–	–	–
Closing net asset value per share	216.89	249.46	166.40	68.57	80.39	54.54
*after direct transaction costs of:	0.40	0.36	0.42	0.13	0.13	0.14
Performance						
Return after charges	(13.06%)	49.92%	(24.19%)	(13.04%)	49.93%	(24.15%)
Other information						
Closing net asset value (£'000)	36,595	47,146	32,653	1,028	6,211	5
Closing number of shares	16,872,616	18,898,859	19,623,340	1,498,698	7,726,908	9,413
Operating charges	0.88%	0.88%	0.89%	0.88%	0.88%	0.89%
Direct transaction costs [‡]	0.18%	0.18%	0.21%	0.18%	0.18%	0.21%
Prices						
Highest share price	255.28	252.87	248.42	82.27	82.89	83.23
Lowest share price	193.39	144.24	159.57	62.33	47.27	53.46

Comparative tables

As at 31 December 2017

Financial year	'R' Class (Accumulation shares)			'S' Class (Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	103.35	69.11	91.38	160.82	106.47	139.48
Return before operating charges*	(12.69)	35.20	(21.40)	(19.75)	54.52	(32.83)
Operating charges	(1.04)	(0.96)	(0.87)	(0.20)	(0.17)	(0.18)
Return after operating charges*	(13.73)	34.24	(22.27)	(19.95)	54.35	(33.01)
Distributions	(1.50)	(1.53)	(1.26)	(3.75)	(3.65)	(3.24)
Retained distributions on accumulation shares	1.50	1.53	1.26	3.75	3.65	3.24
Closing net asset value per share	89.62	103.35	69.11	140.87	160.82	106.47
*after direct transaction costs of:	0.17	0.15	0.16	0.26	0.23	0.27
Performance						
Return after charges	(13.28%)	49.54%	(24.37%)	(12.41%)	51.05%	(23.67%)
Other information						
Closing net asset value (£'000)	97	261	70	3,463	3,949	3,169
Closing number of shares	108,681	252,040	101,235	2,457,914	2,455,418	2,976,693
Operating charges	1.13%	1.13%	1.14%	0.13%	0.13%	0.14%
Direct transaction costs [‡]	0.18%	0.18%	0.21%	0.18%	0.18%	0.21%
Prices						
Highest share price	105.75	104.76	103.34	164.60	163.00	158.28
Lowest share price	79.99	59.89	66.33	125.26	92.44	101.94

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.

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 2017

Financial year	'A' Class (Accumulation shares)			'A' Class (USD Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (c)	31.12.16 (c)	31.12.15 (c)
Change in net assets per share						
Opening net asset value per share	785.20	632.75	611.54	964.66	936.38	953.66
Return before operating charges*	154.68	163.34	31.52	302.71	42.94	(1.24)
Operating charges	(13.70)	(10.89)	(10.31)	(17.65)	(14.66)	(16.04)
Return after operating charges*	140.98	152.45	21.21	285.06	28.28	(17.28)
Distributions	(0.33)	(2.07)	(0.47)	(0.47)	(2.59)	(0.17)
Retained distributions on accumulation shares	0.33	2.07	0.47	0.47	2.59	0.17
Closing net asset value per share	926.18	785.20	632.75	1249.72	964.66	936.38
*after direct transaction costs of:	0.75	0.47	0.54	0.96	0.63	0.85
Performance						
Return after charges	17.95%	24.09%	3.47%	29.55%	3.02%	(1.81%)
Other information						
Closing net asset value (£'000)/(USD'000)	192,471	185,187	177,808	149	115	166
Closing number of shares	20,781,163	23,584,783	28,100,916	11,919	11,919	17,711
Operating charges	1.59%	1.61%	1.61%	1.59%	1.61%	1.61%
Direct transaction costs [‡]	0.09%	0.07%	0.08%	0.09%	0.07%	0.08%
Prices						
Highest share price	932.80	792.29	699.30	1250.34	976.36	1,064.46
Lowest share price	785.55	550.67	576.77	965.09	798.28	877.21
Financial year	'I' Class (Accumulation shares)			'I' Class (GBP Hedged Accumulation shares) ⁽¹⁾		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	198.73	158.96	152.48	100.00	–	–
Return before operating charges*	39.29	41.24	7.86	23.97	–	–
Operating charges	(1.85)	(1.47)	(1.38)	(0.84)	–	–
Return after operating charges*	37.44	39.77	6.48	23.13	–	–
Distributions	(1.72)	(1.81)	(1.33)	(0.87)	–	–
Retained distributions on accumulation shares	1.72	1.81	1.33	0.87	–	–
Closing net asset value per share	236.17	198.73	158.96	123.13	–	–
*after direct transaction costs of:	0.19	0.12	0.14	0.10	–	–
Performance						
Return after charges	18.84%	25.02%	4.25%	23.13%	–	–
Other information						
Closing net asset value (£'000)	296,419	293,001	254,684	60,466	–	–
Closing number of shares	125,511,194	147,437,696	160,222,825	49,107,683	–	–
Operating charges	0.84%	0.86%	0.86%	0.88%	–	–
Direct transaction costs [‡]	0.09%	0.07%	0.08%	0.09%	–	–
Prices						
Highest share price	237.62	200.51	174.73	123.27	–	–
Lowest share price	198.81	138.45	144.51	100.00	–	–

Comparative tables

As at 31 December 2017

Financial year	'R' Class (Accumulation shares)			'S' Class (Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	184.96	148.31	142.63	243.57	193.38	184.13
Return before operating charges*	36.53	38.42	7.34	48.34	50.42	9.46
Operating charges	(2.23)	(1.77)	(1.66)	(0.28)	(0.23)	(0.21)
Return after operating charges*	34.30	36.65	5.68	48.06	50.19	9.25
Distributions	(1.09)	(1.29)	(0.88)	(4.12)	(3.78)	(3.07)
Retained distributions on accumulation shares	1.09	1.29	0.88	4.12	3.78	3.07
Closing net asset value per share	219.26	184.96	148.31	291.63	243.57	193.38
*after direct transaction costs of:	0.18	0.11	0.13	0.23	0.14	0.16
Performance						
Return after charges	18.54%	24.71%	3.98%	19.73%	25.95%	5.02%
Other information						
Closing net asset value (£'000)	701	640	538	86,261	176,156	136,228
Closing number of shares	319,855	345,859	362,664	29,578,856	72,322,662	70,447,396
Operating charges	1.09%	1.11%	1.11%	0.09%	0.11%	0.11%
Direct transaction costs [‡]	0.09%	0.07%	0.08%	0.09%	0.07%	0.08%
Prices						
Highest share price	220.66	186.62	163.32	293.37	245.74	211.42
Lowest share price	185.04	129.15	134.95	243.67	168.58	175.33

(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.

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 2017

Financial year	'A' Class (Accumulation shares)			'A' Class (Income-2 shares) ⁽¹⁾		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	212.61	190.08	190.56	70.06	66.12	69.30
Return before operating charges*	12.74	25.28	2.12	4.13	8.44	0.66
Operating charges	(2.98)	(2.75)	(2.60)	(0.96)	(0.94)	(0.93)
Return after operating charges*	9.76	22.53	(0.48)	3.17	7.50	(0.27)
Distributions	(8.50)	(8.27)	(6.59)	(3.68)	(3.56)	(2.91)
Retained distributions on accumulation shares	8.50	8.27	6.59	–	–	–
Closing net asset value per share	222.37	212.61	190.08	69.55	70.06	66.12
*after direct transaction costs of:	–	–	–	–	–	–
Performance						
Return after charges	4.59%	11.85%	(0.25%)	4.52%	11.35%	(0.39%)
Other information						
Closing net asset value (£'000)	12,373	14,505	19,226	25,802	28,659	37,370
Closing number of shares	5,564,413	6,822,562	10,114,631	37,098,358	40,905,210	56,520,743
Operating charges	1.34%	1.36%	1.35%	1.34%	1.36%	1.35%
Direct transaction costs [‡]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	224.14	213.47	195.25	71.43	71.95	70.52
Lowest share price	213.45	183.81	185.52	69.87	63.70	65.52
Financial year	'I' Class (Accumulation shares)			'I' Class (Income-2 shares) ⁽¹⁾		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	173.41	154.30	153.89	101.61	95.31	99.29
Return before operating charges*	10.39	20.37	1.58	6.00	12.21	0.92
Operating charges	(1.35)	(1.26)	(1.17)	(0.78)	(0.76)	(0.74)
Return after operating charges*	9.04	19.11	0.41	5.22	11.45	0.18
Distributions	(8.03)	(7.52)	(5.90)	(5.35)	(5.15)	(4.16)
Retained distributions on accumulation shares	8.03	7.52	5.90	–	–	–
Closing net asset value per share	182.45	173.41	154.30	101.48	101.61	95.31
*after direct transaction costs of:	–	–	–	–	–	–
Performance						
Return after charges	5.21%	12.38%	0.27%	5.14%	12.01%	0.18%
Other information						
Closing net asset value (£'000)	23,330	17,673	10,538	44,938	44,336	35,853
Closing number of shares	12,787,068	10,191,159	6,829,407	44,281,141	43,632,233	37,617,342
Operating charges	0.74%	0.76%	0.75%	0.74%	0.76%	0.75%
Direct transaction costs [‡]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	183.74	174.10	156.84	103.80	104.22	101.13
Lowest share price	174.10	149.25	150.40	101.51	91.88	94.28

Comparative tables

As at 31 December 2017

Financial year	'R' Class (Accumulation shares)			'R' Class (Income-2 shares) ⁽¹⁾		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share						
Opening net asset value per share	117.61	104.73	104.50	96.16	90.29	94.16
Return before operating charges*	7.05	13.85	1.13	5.67	11.57	0.87
Operating charges	(1.04)	(0.97)	(0.90)	(0.83)	(0.82)	(0.79)
Return after operating charges*	6.01	12.88	0.23	4.84	10.75	0.08
Distributions	(5.33)	(5.03)	(3.96)	(5.06)	(4.88)	(3.95)
Retained distributions on accumulation shares	5.33	5.03	3.96	–	–	–
Closing net asset value per share	123.62	117.61	104.73	95.94	96.16	90.29
*after direct transaction costs of:	–	–	–	–	–	–
Performance						
Return after charges	5.11%	12.30%	0.22%	5.03%	11.91%	0.08%
Other information						
Closing net asset value (£'000)	277	263	7	775	757	707
Closing number of shares	223,813	223,417	6,280	807,290	786,703	783,085
Operating charges	0.84%	0.86%	0.85%	0.84%	0.86%	0.85%
Direct transaction costs [‡]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices						
Highest share price	124.51	118.08	107.24	98.18	98.65	95.89
Lowest share price	118.08	101.32	102.09	96.04	87.04	89.35

Comparative tables

As at 31 December 2017

Financial year	'S' Class (Accumulation shares)		
	31.12.17 (p)	31.12.16 (p)	31.12.15 (p)
Change in net assets per share			
Opening net asset value per share	240.74	210.51	206.64
Return before operating charges*	14.69	30.48	4.08
Operating charges	(0.27)	(0.25)	(0.21)
Return after operating charges*	14.42	30.23	3.87
Distributions	(12.84)	(14.57)	(10.99)
Retained distributions on accumulation shares	12.84	14.57	10.99
Closing net asset value per share	255.16	240.74	210.51
*after direct transaction costs of:	–	–	–
Performance			
Return after charges	5.99%	14.36%	1.87%
Other information			
Closing net asset value (£'000)	2,338	6,945	9,261
Closing number of shares	916,203	2,884,769	4,399,255
Operating charges	0.09%	0.11%	0.10%
Direct transaction costs [‡]	0.00%	0.00%	0.00%
Prices			
Highest share price	256.72	241.66	213.71
Lowest share price	241.66	203.97	204.41

(1) Share class names changed effective 6 April 2015 (previously 'Income' classes).

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.

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 2017

1. Accounting policies

a) Basis of accounting

The financial statements on pages 49 to 97 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 2017.

b) Valuation of investments

The investments of the Funds have been valued at market value at noon (UK time) on 31 December 2017 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 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 2017. 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 2017

2. Distribution policies

a) Basis of distribution

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

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

Distributions are paid annually by reference to net revenue arising during the year ended 31 December 2017.

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

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

b) Apportionment to multiple share classes

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

c) Stock dividends

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

d) Interest from debt securities

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

e) Expenses

Management expenses including the General Administration Charge (GAC) and custody fee are charged against revenue unless otherwise stated in the Prospectus.

The only exception is the Monthly High Income Fund, where expenses 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.

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

Risk management process

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

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. 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 2017

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.

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 Inc-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

Inc-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.

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 ("PCHSC")

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 the 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.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2017

3. Risk management policies (continued)

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 Asset Management 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.

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. 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 Depositories

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.

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.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2017

3. Risk management policies (continued)

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 above 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.

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.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2017

3. Risk management policies (continued)

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.

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.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2017

3. Risk management policies (continued)

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.

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.

Notes to the Financial Statements of the Company

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For the year ended 31 December 2017

3. Risk management policies (continued)

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.

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.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2017

3. Risk management policies (continued)

China Tax

In common with other Funds, income and gains derived from China may be subject to withholding tax and capital gains tax. 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.

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.

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: Accounting, Emerging Markets, Equity Investment, Exchange Rates, Market Action, Market Closure, Political, Settlement and Custody and Tax.

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 a broker who is affiliated to the Hong Kong sub-custodian appointed by the Depository.

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 this Appendix which applies to investment in China.

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2017

3. Risk management policies (continued)

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.

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 your investment in the Shares. If in doubt, please consult your 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 Fund

Concentration
Derivatives
Equity Investment
Sector and/or Geographical

Asia ex Japan

Investment in China
Derivatives
Emerging Markets
Equity Investment
Sector and/or Geographical
Stock Connect

Global Energy

Investment in China
Derivatives
Equity Investment
Sector and/or Geographical
Smaller Companies
Stock Connect

Global Strategic Equity

Investment in China
Derivatives
Equity Investment
Stock Connect

Monthly High Income

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

Notes to the Financial Statements of the Company

continued

For the year ended 31 December 2017

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)
2017*			
American Fund	0.28	1.06	(0.31)
Asia ex Japan 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
Monthly High Income Fund	0.03	(0.04)	1.02

	FTSE All-Share Index	MSCI World Index	Bank of America Merrill Lynch Global High Yield Constrained GBP hedged (from 01.11.2015)
2016**			
American Fund	0.77	0.83	0.39
Asia ex Japan Fund	1.37	1.65	1.51
Global Energy Fund	1.39	1.03	1.62
Global Strategic Equity Fund	1.28	1.10	0.98
Monthly High Income Fund†	0.48	0.22	0.89

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

** Source: Lipper 01.01.16 – 31.12.16 using monthly sub-periods for class 'A' accumulation shares.

† 'A' income 2 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

15 March 2018

D. Aird

Director of the ACD

American Fund

Statement of Total Return

For the year ended 31 December 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	4		12,085		38,217
Revenue	6	2,061		2,103	
Expenses	7	(1,680)		(1,363)	
Interest payable and similar charges		(10)		(2)	
Net revenue before taxation		371		738	
Taxation	8	(258)		(287)	
Net revenue after taxation			113		451
Total return before distribution			12,198		38,668
Distribution	9		(293)		(456)
Change in net assets attributable to shareholders from investment activities			11,905		38,212

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2017

		31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders					
Amounts receivable on creation of shares		39,438	122,548	16,523	98,571
Amounts payable on cancellation of shares		(31,213)		(31,195)	
			8,225		(14,672)
Change in net assets attributable to shareholders from investment activities			11,905		38,212
Retained distributions on accumulation shares			313		437
Closing net assets attributable to shareholders			142,991		122,548

Notes to the financial statements are on pages 61 to 65.

Balance Sheet

As at 31 December 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
ASSETS					
Investments assets			135,134		112,394
Current assets					
Debtors	10	524		286	
Cash and bank balances		7,497		10,074	
Total other assets			8,021		10,360
Total assets			143,155		122,754
LIABILITIES					
Creditors					
Other creditors	11	164		206	
Total liabilities			164		206
Net assets attributable to shareholders			142,991		122,548

Notes to the financial statements are on pages 61 to 65.

American Fund

Notes to the Financial Statements

For the year ended 31 December 2017

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 49.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 50.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 50 to 59.

4. Net capital gains

The net capital gains during the year comprise:

	31.12.17 £'000	31.12.16 £'000
(Losses)/gains on foreign exchange	(667)	598
Non-derivative securities	12,760	37,634
Transaction charges	(8)	(15)
Net capital gains	12,085	38,217

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.17 £'000	31.12.16 £'000	31.12.17 £'000	31.12.16 £'000
Equities	151,805	40,968	141,032	56,038
Bonds	–	–	–	4,589
Trades excluding transaction costs	151,805	40,968	141,032	60,627
Commissions				
Equities	25	28	(15)	(33)
Bonds	–	–	–	–
Taxes				
Equities	41	–	(3)	(1)
Bonds	–	–	–	–
Total costs	66	28	(18)	(34)
Net trades in the year after transaction costs	151,871	40,996	141,014	60,593

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.17 %	31.12.16 %	31.12.17 %	31.12.16 %
Commissions				
Equities	0.02	0.07	0.01	0.06
Bonds	–	–	–	–
Taxes				
Equities	0.03	–	–	–
Bonds	–	–	–	–

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

	31.12.17 %	31.12.16 %
Commissions	0.03	0.06
Taxes	0.03	–
Total costs	0.06	0.06

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.02% (31.12.16: 0.03%).

American Fund**Notes to the Financial Statements** continued

For the year ended 31 December 2017

6. Revenue

	31.12.17 £'000	31.12.16 £'000
Bank interest	34	1
Interest on debt securities	–	2
Overseas dividends	1,928	2,081
UK dividends	99	–
Property revenue from overseas REITs	–	19
Total revenue	2,061	2,103

7. Expenses

	31.12.17 £'000	31.12.16 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	1,569	1,266
General administration charge (GAC)	103	83
	1,672	1,349
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	15	15
	15	15
Other expenses:		
VAT refund	(7)	(1)
	(7)	(1)
Total expenses	1,680	1,363

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

The audit fee for the year is £8,000 (31.12.16: £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:**

	31.12.17 £'000	31.12.16 £'000
Overseas tax	258	287
Current tax charge	258	287
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	258	287

(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%) (31.12.16: 20%). The differences are explained below:

	31.12.17 £'000	31.12.16 £'000
Net revenue before taxation	371	738
Corporation tax of 20%	74	148
Effects of:		
Movement in excess management expenses	331	269
Overseas tax	258	287
Revenue not subject to taxation	(405)	(416)
Overseas tax expensed	–	(1)
Total tax charge (note 8(a))	258	287

(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 £6,835,000 (2016: £6,504,000) 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:

	31.12.17 £'000	31.12.16 £'000
Final	313	437
	313	437
Add: Equalisation deducted on cancellation of shares	48	55
Less: Equalisation received on creation of shares	(68)	(36)
Net distribution for the year	293	456

The net distribution for the year is represented by:

	31.12.17 £'000	31.12.16 £'000
Net revenue after taxation	113	451
Equalisation on conversion of shares	2	5
Amounts charged to capital:		
Shortfall of income transferred from capital	178	–
Net distribution for the year	293	456

10. Debtors

	31.12.17 £'000	31.12.16 £'000
Accrued bond interest	–	(1)
Accrued dividends and bank interest	192	142
Amounts receivable for creation of shares	330	145
Unrealised currency hedge	2	–
	524	286

11. Other creditors

	31.12.17 £'000	31.12.16 £'000
Amounts payable for cancellation of shares	12	72
Accrued ACD fees	140	123
Accrued general administration charge (GAC)	9	8
Accrued safe custody fee	3	3
	164	206

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.16: 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 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 2017 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.

American Fund**Notes to the Financial Statements** continued

For the year ended 31 December 2017

Reconciliation of the shares movement in the year:

	31.12.16 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.17 Closing shares in issue
'A' Class (Accumulation shares)	22,359,127	2,383,595	(3,487,856)	(200,484)	21,054,382
'A' Class (GBP Hedged Accumulation shares)	143,134	45,321	(59,560)	–	128,895
'A' Class (USD Accumulation shares)	163,017	(324,429)	(59,046)	327,317	106,859
'B' Class (Accumulation shares)	2,457,392	3,674	(207,445)	(15,794)	2,237,827
'I' Class (Accumulation shares)	17,770,717	14,223,994	(8,029,302)	–	23,965,409
'R' Class (Accumulation shares)	104,282	26,323	(6,417)	–	124,188
'S' Class (Accumulation shares)	1,290,102	366,625	(344,692)	–	1,312,035

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 2017 was:

Currency	Currency exposure	
	Total 31.12.17 £'000	Total 31.12.16 £'000
Sterling	8,124	(51)
Swiss franc	4,450	–
US Dollar	130,417	122,599
Total	142,991	122,548

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	31.12.17		31.12.16	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	135,134	–	112,394	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total fair value	135,134	–	112,394	–

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).

Distribution Table

For the year ended 31 December 2017

Final distribution payable 28 February 2018

Group 1 – Shares purchased before 1 January 2017

Group 2 – Shares purchased between 1 January and 31 December 2017

	Net Income pence	Equalisation pence	Distribution payable 28.02.18 pence	Distribution paid 28.02.17 pence
'A' Class (Accumulation shares)				
Group 1	–	–	–	0.4018
Group 2	–	–	–	0.4018
'A' Class (GBP Hedged Accumulation shares)				
Group 1	–	–	–	0.2151
Group 2	–	–	–	0.2151
'B' Class (Accumulation shares)				
Group 1	0.0037	–	0.0037	1.0918
Group 2	–	0.0037	0.0037	1.0918
'I' Class (Accumulation shares)				
Group 1	1.1212	–	1.1212	1.5479
Group 2	0.6422	0.4790	1.1212	1.5479
'R' Class (Accumulation shares)				
Group 1	0.5682	–	0.5682	1.1268
Group 2	0.1707	0.3975	0.5682	1.1268
'S' Class (Accumulation shares)				
Group 1	3.3479	–	3.3479	3.3653
Group 2	1.4744	1.8735	3.3479	3.3653
	Net Income US cent	Equalisation US cent	Distribution payable 28.02.18 US cent	Distribution paid 28.02.17 US cent
'A' Class (USD Accumulation shares)				
Group 1	–	–	–	0.4670
Group 2	–	–	–	0.4670

Equalisation

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

Asia ex Japan Fund

Statement of Total Return

For the year ended 31 December 2017

	Note	31.12.17 £'000	£'000	£'000	31.12.16 £'000
Income					
Net capital gains	4		67,313		33,046
Revenue	6	5,365		4,295	
Expenses	7	(2,424)		(1,923)	
Interest payable and similar charges		(4)		(1)	
Net revenue before taxation		2,937		2,371	
Taxation	8	(382)		115	
Net revenue after taxation			2,555		2,486
Total return before distribution			69,868		35,532
Distribution	9		(2,558)		(2,496)
Change in net assets attributable to shareholders from investment activities			67,310		33,036

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2017

		31.12.17 £'000	£'000	£'000	31.12.16 £'000
Opening net assets attributable to shareholders			168,139		153,936
Amounts receivable on creation of shares		49,876		19,567	
Amounts payable on cancellation of shares		(79,382)		(40,723)	
			(29,506)		(21,156)
Dilution adjustment			84		-
Change in net assets attributable to shareholders from investment activities			67,310		33,036
Retained distributions on accumulation shares			1,985		2,323
Closing net assets attributable to shareholders			208,012		168,139

Notes to the financial statements are on pages 67 to 71.

Balance Sheet

As at 31 December 2017

	Note	31.12.17 £'000	£'000	£'000	31.12.16 £'000
ASSETS					
Investments assets			204,022		166,411
Current assets					
Debtors	10	87		225	
Cash and bank balances		4,499		1,876	
Total other assets			4,586		2,101
Total assets			208,608		168,512
LIABILITIES					
Creditors					
Other creditors	11	596		373	
Total liabilities			596		373
Net assets attributable to shareholders			208,012		168,139

Notes to the financial statements are on pages 67 to 71.

Asia ex Japan Fund

Notes to the Financial Statements

For the year ended 31 December 2017

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 49.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 50.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 50 to 59.

4. Net capital gains

The net capital gains during the year comprise:

	31.12.17 £'000	31.12.16 £'000
Gains on foreign exchange	96	9
Non-derivative securities	67,277	33,084
Transaction charges	(60)	(47)
Net capital gains	67,313	33,046

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.17 £'000	31.12.16 £'000	31.12.17 £'000	31.12.16 £'000
Equities	247,265	74,718	272,144	91,455
Collective Investment Schemes	–	–	5,280	–
Trades excluding transaction costs	247,265	74,718	277,424	91,455
Commissions				
Equities	143	61	(136)	(78)
Collective Investment Schemes	–	–	–	–
Total commissions	143	61	(136)	(78)
Taxes				
Equities	134	42	(383)	(148)
Collective Investment Schemes	–	–	–	–
Total taxes	134	42	(383)	(148)
Total costs	277	103	(519)	(226)
Net trades in the year after transaction costs	247,542	74,821	276,905	91,229

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.17 %	31.12.16 %	31.12.17 %	31.12.16 %
Commissions				
Equities	0.06	0.08	0.05	0.09
Collective Investment Schemes	–	–	–	–
Taxes				
Equities	0.05	0.06	0.14	0.16
Collective Investment Schemes	–	–	–	–

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

	31.12.17 %	31.12.16 %
Commissions	0.13	0.09
Taxes	0.24	0.12
Total costs	0.37	0.21

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.14% (31.12.16: 0.03%).

Asia ex Japan Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

6. Revenue

	31.12.17 £'000	31.12.16 £'000
Bank interest	3	7
Overseas dividends	5,161	4,204
UK dividends	145	–
Offshore distribution non-taxable from collective investment schemes	56	84
Total revenue	5,365	4,295

7. Expenses

	31.12.17 £'000	31.12.16 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	2,094	1,632
General administration charge (GAC)	166	128
	2,260	1,760
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	177	163
	177	163
Other expenses:		
VAT refund	(22)	(3)
Out of pocket expenses	3	2
ADR fees	1	–
SEBI Registration fee	3	–
Publishing fee	2	1
	(13)	–
Total expenses	2,424	1,923

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

The audit fee for the year is £8,000 (31.12.16: £8,000).

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

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

	31.12.17 £'000	31.12.16 £'000
Overseas tax	382	(115)
Current tax charge	382	(115)
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	382	(115)

(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%) (31.12.16: 20%). The differences are explained below:

	31.12.17 £'000	31.12.16 £'000
Net revenue before taxation	2,937	2,371
Corporation tax of 20%	587	474
Effects of:		
Movement in excess management expenses	485	383
Overseas tax	382	(115)
Revenue not subject to taxation	(1,072)	(857)
Total tax charge (note 8(a))	382	(115)

(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 £4,493,000 (2016: £4,007,000) 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:

	31.12.17	31.12.16
	£'000	£'000
Final	1,985	2,323
	1,985	2,323
Add: Equalisation deducted on cancellation of shares	771	305
Less: Equalisation received on creation of shares	(198)	(132)
Net distribution for the year	2,558	2,496

The net distribution for the year is represented by:

	31.12.17	31.12.16
	£'000	£'000
Net revenue after taxation	2,555	2,486
Equalisation on conversion of shares	3	10
Net distribution for the year	2,558	2,496

10. Debtors

	31.12.17	31.12.16
	£'000	£'000
Accrued dividends and bank interest	53	84
Amounts receivable for creation of shares	34	141
	87	225

11. Other creditors

	31.12.17	31.12.16
	£'000	£'000
Amounts payable for cancellation of shares	373	98
Purchases awaiting settlement	–	83
Accrued ACD fees	173	144
Accrued general administration charge (GAC)	13	11
Accrued safe custody fee	28	31
Accrued transaction charges	9	6
	596	373

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.16: 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 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 2017 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.

Asia ex Japan Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

Reconciliation of the shares movement in the year:

	31.12.16 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.17 Closing shares in issue
'A' Class (Accumulation shares)	11,517,436	248,899	(2,245,622)	(98,608)	9,422,105
'B' Class (Accumulation shares)	84,207	422	(6,530)	(784)	77,315
'I' Class (Accumulation shares)	45,562,993	18,009,396	(22,135,072)	347,159	41,784,476
'R' Class (Accumulation shares)	205,871	165,842	(117,792)	–	253,921
'S' Class (Accumulation shares)	61,158	–	–	(61,158)	–

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 2017 was:

Currency	Currency exposure	
	Total 31.12.17 £'000	Total 31.12.16 £'000
Australian Dollar	36,930	–
Chinese Yuan	(394)	–
Chinese Yuan (Offshore)	11,080	–
Euro	7,388	–
Hong Kong Dollar	43,303	71,114
Indian Rupee	19,009	13,458
Indonesian Rupiah	–	3,836
Singapore Dollar	4	2,893
South Korean Won	31,490	31,431
Sterling	6,291	1,713
Taiwan Dollar	16,418	22,216
Thai Baht	–	4,149
US Dollar	29,132	17,329
Vietnamese Dong	7,361	–
Total	208,012	168,139

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	31.12.17		31.12.16	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	204,022	–	162,562	–
Level 2	–	–	3,849	–
Level 3	–	–	–	–
Total fair value	204,022	–	166,411	–

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).

Distribution Table

For the year ended 31 December 2017

Final distribution payable 28 February 2018

Group 1 – Shares purchased before 1 January 2017

Group 2 – Shares purchased between 1 January and 31 December 2017

	Net Income pence	Equalisation pence	Distribution payable 28.02.18 pence	Distribution paid 28.02.17 pence
'A' Class (Accumulation shares)				
Group 1	3.3752	–	3.3752	4.5321
Group 2	0.7774	2.5978	3.3752	4.5321
'B' Class (Accumulation shares)				
Group 1	49.7793	–	49.7793	57.1508
Group 2	23.0411	26.7382	49.7793	57.1508
'I' Class (Accumulation shares)				
Group 1	3.8871	–	3.8871	3.8220
Group 2	2.3164	1.5707	3.8871	3.8220
'R' Class (Accumulation shares)				
Group 1	1.8333	–	1.8333	1.9044
Group 2	1.0586	0.7747	1.8333	1.9044
'S' Class (Accumulation shares)⁽¹⁾				
Group 1	–	–	–	11.6641
Group 2	–	–	–	11.6641

⁽¹⁾ Closed 3 February 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 Energy Fund

Statement of Total Return

For the year ended 31 December 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	4		(13,438)		30,324
Revenue	6	2,210		2,421	
Expenses	7	(817)		(823)	
Interest payable and similar charges		–		(1)	
Net revenue before taxation		1,393		1,597	
Taxation	8	(159)		(149)	
Net revenue after taxation			1,234		1,448
Total return before distribution			(12,204)		31,772
Distribution	9		(1,235)		(1,450)
Change in net assets attributable to shareholders from investment activities			(13,439)		30,322

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2017

		31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders					
Amounts receivable on creation of shares		15,331	92,574	29,256	60,920
Amounts payable on cancellation of shares		(27,802)		(29,192)	
			(12,471)		64
Change in net assets attributable to shareholders from investment activities			(13,439)		30,322
Retained distributions on accumulation shares			1,112		1,268
Closing net assets attributable to shareholders			67,776		92,574

Notes to the financial statements are on pages 73 to 77.

Balance Sheet

As at 31 December 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
ASSETS					
Investments assets			67,540		90,270
Current assets					
Debtors	10	245		722	
Cash and bank balances		444		1,913	
Total other assets			689		2,635
Total assets			68,229		92,905
LIABILITIES					
Creditors					
Bank overdrafts		22		–	
Distribution payable		20		107	
Other creditors	11	411		224	
Total liabilities			453		331
Net assets attributable to shareholders			67,776		92,574

Notes to the financial statements are on pages 73 to 77.

Global Energy Fund

Notes to the Financial Statements

For the year ended 31 December 2017

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 49.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 50.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 50 to 59.

4. Net capital (losses)/gains

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

	31.12.17 £'000	31.12.16 £'000
(Losses)/gains on foreign exchange	(83)	251
Non-derivative securities	(13,323)	30,099
Transaction charges	(32)	(26)
Net capital (losses)/gains	(13,438)	30,324

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.17 £'000	31.12.16 £'000	31.12.17 £'000	31.12.16 £'000
Equities	60,255	71,328	69,790	70,016
Trades excluding transaction costs	60,255	71,328	69,790	70,016
Commissions				
Equities	35	41	(37)	(41)
Taxes				
Equities	61	49	(4)	(6)
Total costs	96	90	(41)	(47)
Net trades in the year after transaction costs	60,351	71,418	69,749	69,969

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.17 %	31.12.16 %	31.12.17 %	31.12.16 %
Commissions				
Equities	0.06	0.06	0.05	0.06
Taxes				
Equities	0.10	0.07	0.01	0.01

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

	31.12.17 %	31.12.16 %
Commissions	0.10	0.11
Taxes	0.09	0.07
Total costs	0.19	0.18

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.08% (31.12.16: 0.05%).

6. Revenue

	31.12.17 £'000	31.12.16 £'000
Bank interest	4	2
Overseas dividends	1,633	1,671
UK dividends	563	723
Stock lending income	–	23
Property revenue from overseas REITs	10	1
Interest on historic foreign tax reclaim amounts received	–	1
Total revenue	2,210	2,421

Global Energy Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

7. Expenses

	31.12.17 £'000	31.12.16 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	744	751
General administration charge (GAC)	58	61
	802	812
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	14	13
	14	13
Other expenses:		
Stock lending fee	–	3
VAT refund	(4)	(6)
ADR fees	1	1
Collateral interest fee	1	–
SEBI Registration fee	3	–
	1	(2)
Total expenses	817	823

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

The audit fee for the year is £8,000 (31.12.16: £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:**

	31.12.17 £'000	31.12.16 £'000
Overseas tax	160	149
Indian capital gains tax	(1)	–
Current tax charge	159	149
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	159	149

(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%) (31.12.16: 20%). The differences are explained below:

	31.12.17 £'000	31.12.16 £'000
Net revenue before taxation	1,393	1,597
Corporation tax of 20%	279	319
Effects of:		
Movement in excess management expenses	130	151
Overseas tax	160	149
Revenue not subject to taxation	(405)	(469)
Overseas tax expensed	(4)	(1)
Indian capital gains tax	(1)	–
Total tax charge (note 8(a))	159	149

(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 £2,689,000 (2016: £2,559,000) 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:

	31.12.17 £'000	31.12.16 £'000
Final	1,132	1,375
Add: Equalisation deducted on cancellation of shares	216	277
Less: Equalisation received on creation of shares	(113)	(202)
Net distribution for the year	1,235	1,450

The net distribution for the year is represented by:

	31.12.17 £'000	31.12.16 £'000
Net revenue after taxation	1,234	1,448
Equalisation on conversion of shares	2	2
Amounts charged to capital:		
Indian capital gains tax	(1)	–
Net distribution for the year	1,235	1,450

10. Debtors

	31.12.17 £'000	31.12.16 £'000
Accrued dividends and bank interest	155	151
Amounts receivable for creation of shares	41	557
Overseas tax recoverable	18	14
Sales awaiting settlement	31	–
	245	722

11. Other creditors

	31.12.17 £'000	31.12.16 £'000
Amounts payable for cancellation of shares	342	135
Accrued ACD fees	57	76
Accrued general administration charge (GAC)	4	6
Accrued safe custody fee	3	2
Accrued transaction charges	5	5
	411	224

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.16: 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 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 2017 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 2017

Reconciliation of the shares movement in the year:

	31.12.16 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.17 Closing shares in issue
'A' Class (Accumulation shares)	14,654,103	2,806,892	(4,429,297)	(195,552)	12,836,146
'A' Class (USD Accumulation shares)	624,259	25,626	(35,958)	–	613,927
'I' Class (Accumulation shares)	18,898,859	3,462,059	(5,667,183)	178,881	16,872,616
'I' Class (Income shares)	7,726,908	529,210	(6,757,420)	–	1,498,698
'R' Class (Accumulation shares)	252,040	60,092	(203,451)	–	108,681
'S' Class (Accumulation shares)	2,455,418	1,194,753	(1,192,257)	–	2,457,914

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 2017 was:

Currency	Currency exposure	
	Total 31.12.17 £'000	Total 31.12.16 £'000
Australian Dollar	2	2
Canadian Dollar	12,264	7,089
Chinese Yuan	(22)	–
Chinese Yuan (Offshore)	438	–
Danish Krone	766	104
Euro	7,707	8,813
Hong Kong Dollar	3,483	3,593
Hungarian Forint	1,251	–
Indian Rupee	226	104
Norwegian Krone	1,593	1,448
Sterling	10,871	13,356
Swedish Krona	1,121	1,040
US Dollar	28,076	57,025
Total	67,776	92,574

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	31.12.17		31.12.16	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	67,540	–	90,270	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total fair value	67,540	–	90,270	–

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).

Distribution Table

For the year ended 31 December 2017

Final distribution payable 28 February 2018

Group 1 – Shares purchased before 1 January 2017

Group 2 – Shares purchased between 1 January and 31 December 2017

	Net Income pence	Equalisation pence	Distribution payable 28.02.18 pence	Distribution paid 28.02.17 pence
'A' Class (Accumulation shares)				
Group 1	2.3327	–	2.3327	2.4933
Group 2	1.5177	0.8150	2.3327	2.4933
'I' Class (Accumulation shares)				
Group 1	4.1746	–	4.1746	4.2014
Group 2	2.4713	1.7033	4.1746	4.2014
'I' Class (Income shares)				
Group 1	1.3404	–	1.3404	1.3821
Group 2	0.8220	0.5184	1.3404	1.3821
'R' Class (Accumulation shares)				
Group 1	1.5013	–	1.5013	1.5339
Group 2	0.3880	1.1133	1.5013	1.5339
'S' Class (Accumulation shares)				
Group 1	3.7475	–	3.7475	3.6549
Group 2	1.8279	1.9196	3.7475	3.6549
	Net Income US cent	Equalisation US cent	Distribution payable 28.02.18 US cent	Distribution paid 28.02.17 US cent
'A' Class (USD Accumulation shares)				
Group 1	3.1629	–	3.1629	3.0709
Group 2	2.1734	0.9895	3.1629	3.0709

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 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	4		116,129		127,893
Revenue	6	12,587		12,285	
Expenses	7	(6,071)		(5,185)	
Interest payable and similar charges		(16)		(8)	
Net revenue before taxation		6,500		7,092	
Taxation	8	(1,196)		(1,048)	
Net revenue after taxation			5,304		6,044
Total return before distribution			121,433		133,937
Distribution	9		(5,311)		(6,052)
Change in net assets attributable to shareholders from investment activities			116,122		127,885

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2017

		31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders			655,077		569,370
Amounts receivable on creation of shares		90,995		21,495	
Amounts payable on cancellation of shares		(229,710)		(69,571)	
			(138,715)		(48,076)
Dilution adjustment			70		-
Change in net assets attributable to shareholders from investment activities			116,122		127,885
Retained distributions on accumulation shares			3,874		5,898
Closing net assets attributable to shareholders			636,428		655,077

Notes to the financial statements are on pages 79 to 84.

Balance Sheet

As at 31 December 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
ASSETS					
Investments assets			629,445		637,541
Current assets					
Debtors	10	992		1,695	
Cash and bank balances		6,993		19,595	
Total other assets			7,985		21,290
Total assets			637,430		658,831
LIABILITIES					
Creditors					
Other creditors	11	1,002		3,754	
Total liabilities			1,002		3,754
Net assets attributable to shareholders			636,428		655,077

Notes to the financial statements are on pages 79 to 84.

Global Strategic Equity Fund

Notes to the Financial Statements

For the year ended 31 December 2017

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 49.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 50.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 50 to 59.

4. Net capital gains

The net capital gains during the year comprise:

	31.12.17 £'000	31.12.16 £'000
Gains/(losses) on foreign exchange	1,932	(280)
Forward currency contracts	(3)	–
Non-derivative securities	114,224	128,215
Transaction charges	(24)	(42)
Net capital gains	116,129	127,893

5. Purchases, sales and transaction costs

Analysis of total trade costs

	Purchases		Sales	
	31.12.17 £'000	31.12.16 £'000	31.12.17 £'000	31.12.16 £'000
Equities	266,372	253,802	388,015	296,606
Trades excluding transaction costs	266,372	253,802	388,015	296,606
Commissions				
Equities	163	130	(182)	(169)
Taxes				
Equities	199	60	(57)	(46)
Total costs	362	190	(239)	(215)
Net trades in the year after transaction costs	266,734	253,992	387,776	296,391

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.17 %	31.12.16 %	31.12.17 %	31.12.16 %
Commissions				
Equities	0.06	0.05	0.05	0.06
Taxes				
Equities	0.07	0.02	0.01	0.02

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

	31.12.17 %	31.12.16 %
Commissions	0.05	0.05
Taxes	0.04	0.02
Total costs	0.09	0.07

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.08% (31.12.16: 0.08%).

Global Strategic Equity Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

6. Revenue

	31.12.17 £'000	31.12.16 £'000
Bank interest	22	16
Overseas dividends	11,918	11,792
UK dividends	637	280
Property revenue from overseas REITs	–	172
Interest on historic foreign tax reclaim amounts received	10	25
Total revenue	12,587	12,285

7. Expenses

	31.12.17 £'000	31.12.16 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	5,360	4,557
General administration charge (GAC)	526	468
	5,886	5,025
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	149	138
	149	138
Other expenses:		
VAT refund	(15)	(12)
Out of pocket expenses	4	2
ADR fees	31	32
SEBI Registration fee	3	–
Currency hedge	13	–
	36	22
Total expenses	6,071	5,185

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

The audit fee for the year is £8,000 (31.12.16: £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:**

	31.12.17 £'000	31.12.16 £'000
Overseas tax	1,196	1,048
Current tax charge	1,196	1,048
Deferred tax charge (note 8(c))	–	–
Total tax charge (note 8(b))	1,196	1,048

(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%) (31.12.16: 20%). The differences are explained below:

	31.12.17 £'000	31.12.16 £'000
Net revenue before taxation	6,500	7,092
Corporation tax of 20%	1,300	1,418
Effects of:		
Movement in excess management expenses	1,109	936
Overseas tax	1,196	1,048
Revenue not subject to taxation	(2,390)	(2,345)
Overseas tax expensed	(19)	(9)
Total tax charge (note 8(a))	1,196	1,048

(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 £6,137,000 (2016: £5,028,000) 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:

	31.12.17	31.12.16
	£'000	£'000
Final	3,874	5,899
Add: Equalisation deducted on cancellation of shares	1,853	317
Less: Equalisation received on creation of shares	(416)	(164)
Net distribution for the year	5,311	6,052

The net distribution for the year is represented by:

	31.12.17	31.12.16
	£'000	£'000
Net revenue after taxation	5,304	6,044
Equalisation on conversion of shares	7	8
Net distribution for the year	5,311	6,052

10. Debtors

	31.12.17	31.12.16
	£'000	£'000
Accrued dividends and bank interest	221	930
Amounts receivable for creation of shares	96	348
Overseas tax recoverable	265	417
Sales awaiting settlement	145	–
Unrealised currency hedge	265	–
	992	1,695

11. Other creditors

	31.12.17	31.12.16
	£'000	£'000
Amounts payable for cancellation of shares	133	371
Purchases awaiting settlement	322	2,886
Payable for hedge fee expense	8	–
Accrued ACD fees	473	421
Accrued general administration charge (GAC)	39	44
Accrued safe custody fee	26	26
Accrued transaction charges	1	6
	1,002	3,754

12. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.16: 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.

At the year end date nil% of the Fund's shares (by net asset value) were held by other Funds managed by the ACD (31.12.16: 1.50%).

14. Dilution adjustment

Please refer to note 4 of the notes to the financial statements for a detailed description of dilution adjustment.

Global Strategic Equity Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

15. ACD Fee and charges

The different level of ACD fees payable per annum as at 31 December 2017 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:

	31.12.16 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.17 Closing shares in issue
'A' Class (Accumulation shares)	23,584,783	1,349,136	(3,955,195)	(197,561)	20,781,163
'A' Class (USD Accumulation shares)	11,919	–	–	–	11,919
'I' Class (Accumulation shares)	147,437,696	6,291,426	(28,995,052)	777,124	125,511,194
'I' Class (GBP Hedged Accumulation shares)	–	58,433,544	(9,325,861)	–	49,107,683
'R' Class (Accumulation shares)	345,859	45	(26,049)	–	319,855
'S' Class (Accumulation shares)	72,322,662	925,330	(43,669,136)	–	29,578,856

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 2017 was:

Currency	Currency exposure	
	Total 31.12.17 £'000	Total 31.12.16 £'000
Australian Dollar	5,789	5,163
Canadian Dollar	1	1
Chinese Yuan	18,510	–
Chinese Yuan (Offshore)	2,868	17,428
Danish Krone	14,388	5,284
Euro	83,615	103,762
Hong Kong Dollar	27,418	24,683
Israeli Shekel	–	9
Japanese Yen	56,682	65,664
Malaysian Ringgit	–	6,048
Mexican Peso	5,070	5,247
South African Rand	4	4
South Korean Won	16,027	10,279
Sterling	45,466	35,321
Swedish Krona	683	679
Swiss Franc	8,777	9,104
Turkish Lira	3,816	5,255
US Dollar	347,314	361,146
Total	636,428	655,077

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	31.12.17		31.12.16	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	629,445	–	637,541	–
Level 2	–	–	–	–
Level 3	–	–	–	–
Total fair value	629,445	–	637,541	–

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).

Distribution Table

For the year ended 31 December 2017

Final distribution payable 28 February 2018

Group 1 – Shares purchased before 1 January 2017

Group 2 – Shares purchased between 1 January and 31 December 2017

	Net Income pence	Equalisation pence	Distribution payable 28.02.18 pence	Distribution paid 28.02.17 pence
'A' Class (Accumulation shares)				
Group 1	0.3339	–	0.3339	2.0725
Group 2	–	0.3339	0.3339	2.0725
'I' Class (Accumulation shares)				
Group 1	1.7178	–	1.7178	1.8134
Group 2	0.7971	0.9207	1.7178	1.8134
'I' Class (GBP Hedged Accumulation shares)⁽¹⁾				
Group 1	0.8684	–	0.8684	n/a
Group 2	0.3025	0.5659	0.8684	n/a
'R' Class (Accumulation shares)				
Group 1	1.0869	–	1.0869	1.2912
Group 2	–	1.0869	1.0869	1.2912
'S' Class (Accumulation shares)				
Group 1	4.1210	–	4.1210	3.7779
Group 2	2.3565	1.7645	4.1210	3.7779
	Net Income US cent	Equalisation US cent	Distribution payable 28.02.18 US cent	Distribution paid 28.02.17 US cent
'A' Class (USD Accumulation shares)				
Group 1	0.4664	–	0.4664	2.5944
Group 2	0.4664	–	0.4664	2.5944

(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.

Monthly High Income Fund

Statement of Total Return

For the year ended 31 December 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	4		687		7,639
Revenue	6	5,904		7,083	
Expenses	7	(1,057)		(1,068)	
Interest payable and similar charges	8	(5)		(4)	
Net revenue before taxation		4,842		6,011	
Taxation	9	87		(2)	
Net revenue after taxation			4,929		6,009
Total return before distributions			5,616		13,648
Distributions	10		(5,649)		(6,741)
Change in net assets attributable to shareholders from investment activities			(33)		6,907

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2017

		31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders					
Amounts receivable on creation of shares		17,172		20,216	
Amounts payable on cancellation of shares		(22,126)		(28,699)	
			(4,954)		(8,483)
Dilution adjustment			16		58
Change in net assets attributable to shareholders from investment activities			(33)		6,907
Retained distributions on accumulation shares			1,661		1,692
Unclaimed distributions			5		2
Closing net assets attributable to shareholders			109,833		113,138

Notes to the financial statements are on pages 86 to 97.

Balance Sheet

As at 31 December 2017

	Note	31.12.17		31.12.16	
		£'000	£'000	£'000	£'000
ASSETS					
Investments assets			103,893		112,561
Current assets					
Debtors	11	1,713		1,858	
Cash and bank balances	12	5,737		6,923	
Total other assets			7,450		8,781
Total assets			111,343		121,342
LIABILITIES					
Investment liabilities			257		5,518
Creditors					
Bank overdrafts		418		406	
Distribution payable		715		2,117	
Other creditors	13	120		163	
Total other liabilities			1,253		2,686
Total liabilities			1,510		8,204
Net assets attributable to shareholders			109,833		113,138

Notes to the financial statements are on pages 86 to 97.

Monthly High Income Fund

Notes to the Financial Statements

For the year ended 31 December 2017

1. Accounting policies

The Accounting policies for the Fund are disclosed in the notes to the financial statements on page 49.

2. Distribution policies

The Distribution policies for the Fund are disclosed in the notes to the financial statements on page 50.

3. Risk management policies

The Risk management policies for the Fund are disclosed in the notes to the financial statements on pages 50 to 59.

4. Net capital gains

The net capital gains during the year comprise:

	31.12.17 £'000	31.12.16 £'000
Losses on foreign exchange	(3,410)	(7,815)
Derivatives contracts	23	37
Forward currency contracts	9,080	(11,032)
Non-derivative securities	(4,996)	26,462
Transaction charges	(8)	(13)
Collateral interest fee	(2)	–
Net capital gains	687	7,639

5. Purchases, sales and transaction costs

	Purchases		Sales	
	31.12.17 £'000	31.12.16 £'000	31.12.17 £'000	31.12.16 £'000
Bonds	98,755	136,804	99,910	162,353
Options	63	81	–	41
Swaps	76,240	27,674	76,139	27,464
Trades excluding transaction costs	184,308	164,559	184,599	189,858
Commissions				
Bonds	–	–	–	–
Options	–	–	–	–
Swaps	–	–	–	–
Total commissions	–	–	–	–
Taxes				
Bonds	–	–	–	–
Options	–	–	–	–
Swaps	–	–	–	–
Total taxes	–	–	–	–
Total costs	–	–	–	–
Net trades in the year after transaction costs	184,308	164,559	184,599	189,858

Monthly High Income Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

5. Purchases, sales and transaction costs (continued)

Total transaction cost expressed as a percentage of asset type cost

	Purchases		Sales	
	31.12.17 %	31.12.16 %	31.12.17 %	31.12.16 %
Commissions				
Bonds	-	-	-	-
Options	-	-	-	-
Swaps	-	-	-	-
Taxes				
Equities	-	-	-	-
Bonds	-	-	-	-
Options	-	-	-	-
Swaps	-	-	-	-

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

	31.12.17 %	31.12.16 %
Commissions	-	-
Taxes	-	-
Total costs	-	-

Average portfolio dealing spread

The average portfolio dealing spread at the balance sheet date was 0.64% (31.12.16: 0.77%).

6. Revenue

	31.12.17 £'000	31.12.16 £'000
Bank interest	14	13
Interest on debt securities	5,890	6,983
Interest on credit default swaps	-	61
Stock lending income	-	26
Total revenue	5,904	7,083

7. Expenses

	31.12.17 £'000	31.12.16 £'000
Payable to the ACD or associates of the ACD, and agents of either of them:		
ACD fee	955	959
General administration charge (GAC)	87	88
	1,042	1,047
Payable to the Depositary or associates of the Depositary, and agents of either of them:		
Safe custody fee	15	18
	15	18
Other expenses:		
Stock lending fee	-	3
VAT refund	(5)	(1)
Out of pocket expenses	-	1
Collateral interest fee	5	-
	-	3
Total expenses	1,057	1,068

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

The audit fee for the year is £9,000 (31.12.16: £9,000).

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

8. Interest payable and similar charges

	31.12.17 £'000	31.12.16 £'000
Interest	3	3
Margin Interest	2	1
Total interest payable and similar charges	5	4

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

	31.12.17 £'000	31.12.16 £'000
Adjustments in respect of prior years	(85)	1
Overseas tax	(2)	1
Current tax charge	(87)	2
Deferred tax charge (note(9(c)))	–	–
Total tax charge (note 9(b))	(87)	2

(b) Factors affecting current tax (credit)/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%) (31.12.16: 20%). The differences are explained below:

	31.12.17 £'000	31.12.16 £'000
Net revenue before taxation	4,842	6,011
Corporation tax of 20%	968	1,202
Effects of:		
Income tax prior year adjustment	(85)	1
Overseas tax	(2)	1
Tax deductible interest distributions	(968)	(1,202)
Total tax charge (note 9(a))	(87)	2

(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:

	31.12.17 £'000	31.12.16 £'000
January	441	314
February	457	329
March	456	328
April	458	329
May	471	327
June	441	320
July	437	325
August	438	321
September	438	374
October	456	377
November	444	379
Final	594	1,750
Income tax withheld at source	102	1,279
	5,633	6,752
Add: Equalisation deducted on cancellation of shares	73	147
Less: Equalisation received on creation of shares	(57)	(158)
Net distribution for the year	5,649	6,741

Monthly High Income Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

10. Distributions (continued)

The net distribution for the year is represented by:

	31.12.17 £'000	31.12.16 £'000
Net revenue after taxation	4,929	6,009
Equalisation on conversion of shares	–	(2)
Amounts charged to capital:		
ACD fee	653	663
General administration charge (GAC)	57	59
Safe custody fee	10	12
Net distribution for the year	5,649	6,741

11. Debtors

	31.12.17 £'000	31.12.16 £'000
Accrued bond interest	1,522	1,791
Amounts receivable for creation of shares	191	67
	1,713	1,858

12. Cash and bank balances

	31.12.17 £'000	31.12.16 £'000
Cash and bank balances	5,590	6,638
Amount held at futures clearing houses and brokers	147	285
	5,737	6,923

13. Other creditors

	31.12.17 £'000	31.12.16 £'000
Amounts payable for cancellation of shares	30	69
Accrued ACD fees	79	82
Accrued general administration charge (GAC)	7	8
Accrued safe custody fee	3	3
Accrued transaction charges	1	1
	120	163

14. Capital commitments and contingent liabilities

The Fund had no contingent liabilities or capital commitments at the year end date (31.12.16: 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.

At the year end date nil% of the Fund's shares (by net asset value) were held by other Funds managed by the ACD (31.12.16: 4.50%).

16. Dilution adjustment

Please refer to note 4 of the notes to the financial statements 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 2017 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:

	31.12.16 Opening shares in issue	Creations	Cancellations	Shares converted	31.12.17 Closing shares in issue
'A' Class (Accumulation shares)	6,822,562	489,711	(1,450,072)	(297,788)	5,564,413
'A' Class (Income-2 shares)	40,905,210	1,385,427	(3,273,698)	(1,918,581)	37,098,358
'I' Class (Accumulation shares)	10,191,159	4,381,373	(2,149,361)	363,897	12,787,068
'I' Class (Income-2 shares)	43,632,233	3,719,888	(4,389,245)	1,318,265	44,281,141
'R' Class (Accumulation shares)	223,417	812	(416)	-	223,813
'R' Class (Income-2 shares)	786,703	20,587	-	-	807,290
'S' Class (Accumulation shares)	2,884,769	1,350,656	(3,319,222)	-	916,203

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 2017 was:

Currency	Currency exposure	
	31.12.17 Total £'000	31.12.16 Total £'000
Euro	67	248
Sterling	109,589	113,237
US Dollar	177	(347)
Total	109,833	113,138

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

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying	Total
	31.12.17 £'000	31.12.17 £'000	31.12.17 £'000	31.12.17 £'000
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

Interest rate risk profile of financial assets and liabilities as at 31 December 2016 was as follows:

Currency	Floating rate financial assets	Fixed rate financial assets	Financial assets not carrying	Total
	31.12.16 £'000	31.12.16 £'000	31.12.16 £'000	31.12.16 £'000
Euro	459	19,274	(19,485)	248
Sterling	6,641	5,437	101,159	113,237
US Dollar	(113)	84,549	(84,783)	(347)
Total	6,987	109,260	(3,109)	113,138

Monthly High Income Fund

Notes to the Financial Statements continued

For the year ended 31 December 2017

19. Efficient portfolio management techniques risk exposure

The exposure obtained through efficient portfolio management techniques and identity of counterparties as at 31 December 2017 was as follows:

(a) Swaps

Counterparty	Value of collateral	
	31.12.17 £'000	31.12.16 £'000
JP Morgan	310	–
Morgan Stanley	–	152
Total	310	152

(b) Forwards

Counterparty	Market Value	
	31.12.17 £'000	31.12.16 £'000
Citibank	(10)	(2,814)
Goldman Sachs	–	(31)
HSBC	(4)	(32)
JP Morgan	(177)	(11)
Standard Chartered	(66)	–
Total	(257)	(2,888)

20. Fair value

Valuation technique	31.12.17		31.12.16	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	28,892	–	–	–
Level 2	75,001	(257)	112,561	(5,518)
Level 3	–	–	–	–
Total fair value	103,893	(257)	112,561	(5,518)

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).

The table does not include collateral, as identified in the portfolio statement, on the basis that they are cash amounts.

Distribution Tables

For the year ended 31 December 2017

Interim distribution paid 31 March 2017

Group 1 – Shares purchased before 1 January 2017

Group 2 – Shares purchased between 1 January and 31 January 2017

	Gross Income pence	Income Tax @ 20% pence	Net Income pence	Equalisation pence	Distribution paid 31.03.17 pence	Distribution paid 31.03.16 pence
'A' Net Class (Accumulation shares)						
Group 1	0.8358	0.1672	0.6686	–	0.6686	0.4183
Group 2	0.4411	0.0882	0.3529	0.3157	0.6686	0.4183
'A' Net Class (Income-2 shares)						
Group 1	0.3559	0.0712	0.2847	–	0.2847	0.2200
Group 2	0.1388	0.0278	0.1110	0.1737	0.2847	0.2200
'I' Net Class (Accumulation shares)						
Group 1	0.7713	0.1543	0.6170	–	0.6170	0.4163
Group 2	0.3759	0.0752	0.3007	0.3163	0.6170	0.4163
'I' Net Class (Income-2 shares)						
Group 1	0.5163	0.1033	0.4130	–	0.4130	0.3172
Group 2	0.2138	0.0428	0.1710	0.2420	0.4130	0.3172
'R' Net Class (Accumulation shares)						
Group 1	0.5129	0.1026	0.4103	–	0.4103	0.2739
Group 2	0.5129	0.1026	0.4103	–	0.4103	0.2739
'R' Net Class (Income-2 shares)						
Group 1	0.4886	0.0977	0.3909	–	0.3909	0.3006
Group 2	0.4886	0.0977	0.3909	–	0.3909	0.3006
'S' Gross Class (Accumulation shares)						
Group 1	1.2061	–	1.2061	–	1.2061	0.8572
Group 2	1.2061	–	1.2061	–	1.2061	0.8572

Interim distribution paid 30 April 2017

Group 1 – Shares purchased before 1 February 2017

Group 2 – Shares purchased between 1 February and 28 February 2017

	Gross Income pence	Equalisation pence	Distribution paid 30.04.17 pence	Distribution paid 30.04.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6675	–	0.6675	0.4206
Group 2	0.2810	0.3865	0.6675	0.4206
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2200
Group 2	0.1201	0.1799	0.3000	0.2200
'I' Class (Accumulation shares)#				
Group 1	0.6338	–	0.6338	0.4184
Group 2	0.5143	0.1195	0.6338	0.4184
'I' Class (Income-2 shares)#				
Group 1	0.4355	–	0.4355	0.3174
Group 2	0.2507	0.1848	0.4355	0.3174
'R' Class (Accumulation shares)#				
Group 1	0.4197	–	0.4197	0.2753
Group 2	0.0197	0.4000	0.4197	0.2753
'R' Class (Income-2 shares)#				
Group 1	0.4120	–	0.4120	0.3007
Group 2	0.4120	–	0.4120	0.3007
'S' Class (Accumulation shares)				
Group 1	1.0153	–	1.0153	0.8626
Group 2	1.0153	–	1.0153	0.8626

Monthly High Income Fund

Distribution Tables

For the year ended 31 December 2017

Interim distribution paid 31 May 2017

Group 1 – Shares purchased before 1 March 2017

Group 2 – Shares purchased between 1 March and 31 March 2017

	Gross Income pence	Equalisation pence	Distribution paid 31.05.17 pence	Distribution paid 31.05.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6729	–	0.6729	0.4156
Group 2	0.1048	0.5681	0.6729	0.4156
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2200
Group 2	0.0654	0.2346	0.3000	0.2200
'I' Class (Accumulation shares)#				
Group 1	0.6379	–	0.6379	0.4172
Group 2	0.1325	0.5054	0.6379	0.4172
'I' Class (Income-2 shares)#				
Group 1	0.4357	–	0.4357	0.3176
Group 2	0.1245	0.3112	0.4357	0.3176
'R' Class (Accumulation shares)#				
Group 1	0.4226	–	0.4226	0.2741
Group 2	0.4226	–	0.4226	0.2741
'R' Class (Income-2 shares)#				
Group 1	0.4122	–	0.4122	0.3007
Group 2	0.4122	–	0.4122	0.3007
'S' Class (Accumulation shares)				
Group 1	1.0210	–	1.0210	0.8665
Group 2	1.0210	–	1.0210	0.8665

Interim distribution paid 30 June 2017

Group 1 – Shares purchased before 1 April 2017

Group 2 – Shares purchased between 1 April and 30 April 2017

	Gross Income pence	Equalisation pence	Distribution paid 30.06.17 pence	Distribution paid 30.06.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6741	–	0.6741	0.4129
Group 2	0.0987	0.5754	0.6741	0.4129
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2200
Group 2	0.0633	0.2367	0.3000	0.2200
'I' Class (Accumulation shares)#				
Group 1	0.6402	–	0.6402	0.4169
Group 2	0.1045	0.5357	0.6402	0.4169
'I' Class (Income-2 shares)#				
Group 1	0.4359	–	0.4359	0.3177
Group 2	0.0958	0.3401	0.4359	0.3177
'R' Class (Accumulation shares)#				
Group 1	0.4239	–	0.4239	0.2737
Group 2	0.4239	–	0.4239	0.2737
'R' Class (Income-2 shares)#				
Group 1	0.4124	–	0.4124	0.3009
Group 2	0.4124	–	0.4124	0.3009
'S' Class (Accumulation shares)				
Group 1	1.0261	–	1.0261	0.8707
Group 2	1.0261	–	1.0261	0.8707

Distribution Tables

For the year ended 31 December 2017

Interim distribution paid 31 July 2017

Group 1 – Shares purchased before 1 May 2017

Group 2 – Shares purchased between 1 May and 31 May 2017

	Gross Income pence	Equalisation pence	Distribution paid 31.07.17 pence	Distribution paid 31.07.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6762	–	0.6762	0.4142
Group 2	0.0519	0.6243	0.6762	0.4142
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2200
Group 2	0.0731	0.2269	0.3000	0.2200
'I' Class (Accumulation shares)#				
Group 1	0.6429	–	0.6429	0.4184
Group 2	0.0773	0.5656	0.6429	0.4184
'I' Class (Income-2 shares)#				
Group 1	0.4361	–	0.4361	0.3179
Group 2	0.1378	0.2983	0.4361	0.3179
'R' Class (Accumulation shares)#				
Group 1	0.4257	–	0.4257	0.2747
Group 2	0.4257	–	0.4257	0.2747
'R' Class (Income-2 shares)#				
Group 1	0.4125	–	0.4125	0.3010
Group 2	0.4125	–	0.4125	0.3010
'S' Class (Accumulation shares)				
Group 1	1.0315	–	1.0315	0.8753
Group 2	–	1.0315	1.0315	0.8753

Interim distribution paid 31 August 2017

Group 1 – Shares purchased before 1 June 2017

Group 2 – Shares purchased between 1 June and 30 June 2017

	Gross Income pence	Equalisation pence	Distribution paid 31.08.17 pence	Distribution paid 31.08.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6809	–	0.6809	0.4167
Group 2	–	0.6809	0.6809	0.4167
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2200
Group 2	0.0205	0.2795	0.3000	0.2200
'I' Class (Accumulation shares)#				
Group 1	0.6467	–	0.6467	0.4205
Group 2	0.0320	0.6147	0.6467	0.4205
'I' Class (Income-2 shares)#				
Group 1	0.4363	–	0.4363	0.3180
Group 2	0.0634	0.3729	0.4363	0.3180
'R' Class (Accumulation shares)#				
Group 1	0.4283	–	0.4283	0.2761
Group 2	0.4283	–	0.4283	0.2761
'R' Class (Income-2 shares)#				
Group 1	0.4127	–	0.4127	0.3011
Group 2	0.4127	–	0.4127	0.3011
'S' Class (Accumulation shares)				
Group 1	1.0370	–	1.0370	0.8802
Group 2	1.0370	–	1.0370	0.8802

Monthly High Income Fund continued

Distribution Tables

For the year ended 31 December 2017

Interim distribution paid 30 September 2017

Group 1 – Shares purchased before 1 July 2017

Group 2 – Shares purchased between 1 July and 31 July 2017

	Gross Income pence	Equalisation pence	Distribution paid 30.09.17 pence	Distribution paid 30.09.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6821	–	0.6821	0.4114
Group 2	–	0.6821	0.6821	0.4114
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2200
Group 2	–	0.3000	0.3000	0.2200
'I' Class (Accumulation shares)#				
Group 1	0.6490	–	0.6490	0.4191
Group 2	–	0.6490	0.6490	0.4191
'I' Class (Income-2 shares)#				
Group 1	0.4365	–	0.4365	0.3182
Group 2	–	0.4365	0.4365	0.3182
'R' Class (Accumulation shares)#				
Group 1	0.4296	–	0.4296	0.2748
Group 2	–	0.4296	0.4296	0.2748
'R' Class (Income-2 shares)#				
Group 1	0.4129	–	0.4129	0.3012
Group 2	0.4129	–	0.4129	0.3012
'S' Class (Accumulation shares)				
Group 1	1.0424	–	1.0424	0.8844
Group 2	1.0424	–	1.0424	0.8844

Interim distribution paid 31 October 2017

Group 1 – Shares purchased before 1 August 2017

Group 2 – Shares purchased between 1 August and 31 August 2017

	Gross Income pence	Equalisation pence	Distribution paid 31.10.17 pence	Distribution paid 31.10.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6874	–	0.6874	0.4089
Group 2	–	0.6874	0.6874	0.4089
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2200
Group 2	–	0.3000	0.3000	0.2200
'I' Class (Accumulation shares)#				
Group 1	0.6533	–	0.6533	0.4189
Group 2	–	0.6533	0.6533	0.4189
'I' Class (Income-2 shares)#				
Group 1	0.4369	–	0.4369	0.3184
Group 2	–	0.4369	0.4369	0.3184
'R' Class (Accumulation shares)#				
Group 1	0.4326	–	0.4326	0.2745
Group 2	0.4326	–	0.4326	0.2745
'R' Class (Income-2 shares)#				
Group 1	0.4131	–	0.4131	0.3014
Group 2	0.4131	–	0.4131	0.3014
'S' Class (Accumulation shares)				
Group 1	1.0484	–	1.0484	0.8887
Group 2	1.0484	–	1.0484	0.8887

Distribution Tables

For the year ended 31 December 2017

Interim distribution paid 30 November 2017

Group 1 – Shares purchased before 1 September 2017

Group 2 – Shares purchased between 1 September and 30 September 2017

	Gross Income pence	Equalisation pence	Distribution paid 30.11.17 pence	Distribution paid 30.11.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6892	–	0.6892	0.5005
Group 2	–	0.6892	0.6892	0.5005
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2500
Group 2	–	0.3000	0.3000	0.2500
'I' Class (Accumulation shares)#				
Group 1	0.6559	–	0.6559	0.4934
Group 2	–	0.6559	0.6559	0.4934
'I' Class (Income-2 shares)#				
Group 1	0.4371	–	0.4371	0.3620
Group 2	–	0.4371	0.4371	0.3620
'R' Class (Accumulation shares)#				
Group 1	0.4342	–	0.4342	0.3250
Group 2	0.4342	–	0.4342	0.3250
'R' Class (Income-2 shares)#				
Group 1	0.4133	–	0.4133	0.3427
Group 2	0.0555	0.3578	0.4133	0.3427
'S' Class (Accumulation shares)				
Group 1	1.0538	–	1.0538	1.0184
Group 2	1.0538	–	1.0538	1.0184

Interim distribution paid 31 December 2017

Group 1 – Shares purchased before 1 October 2017

Group 2 – Shares purchased between 1 October and 31 October 2017

	Gross Income pence	Equalisation pence	Distribution paid 31.12.17 pence	Distribution paid 31.12.16 pence
'A' Class (Accumulation shares)#				
Group 1	0.6921	–	0.6921	0.5017
Group 2	0.0395	0.6526	0.6921	0.5017
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2500
Group 2	–	0.3000	0.3000	0.2500
'I' Class (Accumulation shares)#				
Group 1	0.6590	–	0.6590	0.4952
Group 2	0.0039	0.6551	0.6590	0.4952
'I' Class (Income-2 shares)#				
Group 1	0.4373	–	0.4373	0.3621
Group 2	0.0166	0.4207	0.4373	0.3621
'R' Class (Accumulation shares)#				
Group 1	0.4362	–	0.4362	0.3261
Group 2	0.4362	–	0.4362	0.3261
'R' Class (Income-2 shares)#				
Group 1	0.4134	–	0.4134	0.3428
Group 2	0.4134	–	0.4134	0.3428
'S' Class (Accumulation shares)				
Group 1	1.0594	–	1.0594	1.0242
Group 2	1.0594	–	1.0594	1.0242

Monthly High Income Fund continued

Distribution Tables

For the year ended 31 December 2017

Interim distribution payable 31 January 2018

Group 1 – Shares purchased before 1 November 2017

Group 2 – Shares purchased between 1 November and 30 November 2017

	Gross Income pence	Equalisation pence	Distribution payable 31.01.18 pence	Distribution paid 31.01.17 pence
'A' Class (Accumulation shares)#				
Group 1	0.6969	–	0.6969	0.5070
Group 2	–	0.6969	0.6969	0.5070
'A' Class (Income-2 shares)#				
Group 1	0.3000	–	0.3000	0.2500
Group 2	0.0006	0.2994	0.3000	0.2500
'I' Class (Accumulation shares)#				
Group 1	0.6630	–	0.6630	0.4988
Group 2	–	0.6630	0.6630	0.4988
'I' Class (Income-2 shares)#				
Group 1	0.4375	–	0.4375	0.3623
Group 2	0.0273	0.4102	0.4375	0.3623
'R' Class (Accumulation shares)#				
Group 1	0.4389	–	0.4389	0.3287
Group 2	0.4389	–	0.4389	0.3287
'R' Class (Income-2 shares)#				
Group 1	0.4136	–	0.4136	0.3429
Group 2	0.4136	–	0.4136	0.3429
'S' Class (Accumulation shares)				
Group 1	1.0652	–	1.0652	1.0302
Group 2	1.0652	–	1.0652	1.0302

Final distribution payable 28 February 2018

Group 1 – Shares purchased before 1 December 2017

Group 2 – Shares purchased between 1 December and 31 December 2017

	Gross Income pence	Equalisation pence	Distribution payable 28.02.18 pence	Distribution paid 28.02.17 pence
'A' Class (Accumulation shares)#				
Group 1	1.0134	–	1.0134	3.4414
Group 2	0.3674	0.6460	1.0134	3.4414
'A' Class (Income-2 shares)#				
Group 1	0.3965	–	0.3965	1.0549
Group 2	0.1197	0.2768	0.3965	1.0549
'I' Class (Accumulation shares)#				
Group 1	0.9344	–	0.9344	2.6904
Group 2	0.2707	0.6637	0.9344	2.6904
'I' Class (Income-2 shares)#				
Group 1	0.5725	–	0.5725	1.5222
Group 2	0.2113	0.3612	0.5725	1.5222
'R' Class (Accumulation shares)#				
Group 1	0.6238	–	0.6238	1.8503
Group 2	0.6238	–	0.6238	1.8503
'R' Class (Income-2 shares)#				
Group 1	0.5415	–	0.5415	1.4442
Group 2	0.5415	–	0.5415	1.4442
'S' Class (Accumulation shares)				
Group 1	1.2317	–	1.2317	4.5165
Group 2	1.2317	–	1.2317	4.5165

Share class converted from net to gross on 1 December 2016.

Equalisation

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

Other Information (Unaudited)

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 2017 and will be distributed to shareholders, where applicable, on 28 February 2018. For accumulations shares income distribution payments are deemed to be paid on 28 February 2018.

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 2017.

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 2016-17 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 2016-17 to senior management and members of staff whose actions have a material impact on the risk profile of IFML.

Aggregate Remuneration	£226,329
Senior Management	£218,393
Other individuals with material impact	£7,936
No of staff	10

Registration in overseas markets (Unaudited)

	Chile	Peru	Switzerland	UK
American Fund	✓		✓	✓
Asia ex Japan Fund	✓		✓	✓
Global Energy Fund			✓	✓
Global Strategic Equity Fund	✓		✓	✓
Monthly High Income Fund	✓	✓	✓	✓

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

The Company's Prospectus, Key Investor Information Documents, Instrument of Incorporation, annual and semi-annual reports and accounts may be obtained, free of charge, from Investec Fund Managers Limited or, in Switzerland, from the Swiss Representative and Paying Agent, RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse 567, Post Fach 1292, CH-8048 Zurich.

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

The Global Energy Fund is no longer registered for sale in Chile effective July 2017.

All Funds will no longer be registered for sale in Switzerland effective 30 January 2018.

ACD fees during the year 01/01/17 to 31/12/17.

Sub-Fund Class	Effective charge and daily calculated (%)	Commission for administration monthly paid to ACD (%)	Commission for administration according to the prospectus (%)
American Fund 'A' Shares	0.00410959	0.12500000	1.50
American Fund 'B' Shares	0.00342466	0.10416667	1.25
American Fund 'I' Shares	0.00205479	0.06250000	0.75
American Fund 'R' Shares	0.00273973	0.08333333	1.00
American Fund 'S' Shares	0.00000000	0.00000000	0.00
Asia ex Japan Fund 'A' Shares	0.00410959	0.12500000	1.50
Asia ex Japan Fund 'B' Shares	0.00342466	0.10416667	1.25
Asia ex Japan Fund 'I' Shares	0.00205479	0.06250000	0.75
Asia ex Japan Fund 'R' Shares	0.00273973	0.08333333	1.00
Asia ex Japan Fund 'S' Shares	0.00000000	0.00000000	0.00
Global Energy Fund 'A' Shares	0.00410959	0.12500000	1.50
Global Energy Fund 'I' Shares	0.00205479	0.06250000	0.75
Global Energy Fund 'R' Shares	0.00273973	0.08333333	1.00
Global Energy Fund 'S' Shares	0.00000000	0.00000000	0.00
Global Strategic Equity Fund 'A' Shares	0.00410959	0.12500000	1.50
Global Strategic Equity Fund 'I' Shares	0.00205479	0.06250000	0.75
Global Strategic Equity Fund 'R' Shares	0.00273973	0.08333333	1.00
Global Strategic Equity Fund 'S' Shares	0.00000000	0.00000000	0.00
Monthly High Income Fund 'A' Shares	0.00342466	0.10416667	1.25
Monthly High Income Fund 'I' Shares	0.00178082	0.05416667	0.65
Monthly High Income Fund 'R' Shares	0.00205479	0.06250000	0.75
Monthly High Income Fund 'S' Shares	0.00000000	0.00000000	0.00

Fund performance (Unaudited)

	Year Ended 31-Dec-17 %	Year Ended 31-Dec-16 %	Year Ended 31-Dec-15 %
American Fund			
'A' Class (Accumulation shares)	9.02	43.32	1.11
'A' Class (GBP Hedged Accumulation shares)	18.13	17.61	(3.73)
'A' Class (USD Accumulation shares) ⁽³⁾	9.37	41.91	1.55
'B' Class (Accumulation shares)	9.29	43.68	1.37
'I' Class (Accumulation shares)	9.84	44.39	1.87
'R' Class (Accumulation shares)	9.56	44.02	1.62
'S' Class (Accumulation shares)	10.66	45.47	2.64
S&P 500 NDR	10.62	32.67	6.58
Investment Association North America	10.48	30.09	4.53
Asia ex Japan Fund			
'A' Class (Accumulation shares)	39.32	23.58	(4.86)
'B' Class (Accumulation shares)	39.67	23.93	(4.64)
'I' Class (Accumulation shares)	40.37	24.55	(4.15)
'R' Class (Accumulation shares)	40.02	24.23	(4.40)
'S' Class (Accumulation shares) ⁽²⁾	-	25.48	(3.44)
MSCI All Countries Asia ex Jap	29.45	25.77	(3.91)
Investment Association Asia Pacific Excluding Japan	25.29	26.00	(2.80)
Global Energy Fund			
'A' Class (Accumulation shares)	(13.70)	48.80	(24.81)
'A' Class (USD Accumulation shares) ⁽³⁾	(13.41)	47.34	(24.47)
'I' Class (Accumulation shares)	(13.05)	49.90	(24.24)
'I' Class (Income shares)	(13.04)	49.93	(24.64)
'R' Class (Accumulation shares)	(13.27)	49.54	(24.43)
'S' Class (Accumulation shares)	(12.39)	50.86	(23.61)
MSCI All Countries World Energy	(2.47)	52.27	(17.70)
Global Strategic Equity Fund			
'A' Class (Accumulation shares)	17.96	24.05	3.50
'A' Class (USD Accumulation shares) ⁽³⁾	18.34	22.84	3.91
'I' Class (Accumulation shares)	18.85	24.97	4.27
'I' Class (GBP Hedged Accumulation shares) ⁽¹⁾	-	-	-
'R' Class (Accumulation shares)	18.55	24.66	4.02
'S' Class (Accumulation shares)	19.73	25.90	5.05
MSCI All Countries World	13.24	28.66	3.29
Investment Association Global	13.86	23.94	2.85
Monthly High Income Fund			
'A' Class (Accumulation shares)	4.46	11.64	(0.20)
'A' Class (Income-2 shares) ⁽⁴⁾	4.33	11.33	(0.39)
'I' Class (Accumulation shares)	5.08	12.18	0.32
'I' Class (Income-2 shares) ⁽⁴⁾	4.98	12.00	0.20
'R' Class (Accumulation shares)	4.97	12.10	0.25
'R' Class (Income-2 shares) ⁽⁴⁾	4.87	11.89	0.09
'S' Class (Accumulation shares)	5.38	12.99	0.81
Bank of America Merrill Lynch Global High Yield Constrained GBP Hedged (Bank of America Merrill Lynch European Currency Non-Financial High Yield Constrained GBP Hedged Pre 01/11/15)	6.71	15.73	(0.98)
Investment Association Sterling High Yield	6.30	11.25	0.03

Source: Morningstar, total return, net of UK basic rate tax, no initial charges net of fees in GBP. Index shown for performance comparison purposes only. Past performance should not be taken as a guide to the future and there is no guarantee that this investment will make profits. Returns will vary with market action, fee levels and taxes, and in certain market conditions losses may be exaggerated.

(1) Launched 31 January 2017.

(2) Closed 3 February 2017.

(3) The indices are shown in GBP.

(4) Share class names changed effective 6 April 2015 (previously 'Income' classes).

Total Expense Ratios (Unaudited)

Sub-Fund Class	31 December 2017
American Fund	
'A' Class (Accumulation shares)	1.59%
'A' Class (GBP Hedged Accumulation shares)	1.59%
'A' Class (USD Accumulation shares)	1.59%
'B' Class (Accumulation shares)	1.34%
'I' Class (Accumulation shares)	0.84%
'R' Class (Accumulation shares)	1.09%
'S' Class (Accumulation shares)	0.09%
Asia ex Japan Fund	
'A' Class (Accumulation shares)	1.69%
'B' Class (Accumulation shares)	1.44%
'I' Class (Accumulation shares)	0.94%
'R' Class (Accumulation shares)	1.19%
'S' Class (Accumulation shares)	0.19%
Global Energy Fund	
'A' Class (Accumulation shares)	1.64%
'A' Class (USD Accumulation shares)	1.64%
'I' Class (Accumulation shares)	0.89%
'I' Class (Income shares)	0.89%
'R' Class (Accumulation shares)	1.14%
'S' Class (Accumulation shares)	0.14%
Global Strategic Equity Fund	
'A' Class (Accumulation shares)	1.60%
'A' Class (USD Accumulation shares)	1.60%
'I' Class (Accumulation shares)	0.85%
'I' Class (GBP Hedged Accumulation shares)	0.85%
'R' Class (Accumulation shares)	1.10%
'S' Class (Accumulation shares)	0.10%
Monthly High Income Fund	
'A' Class (Accumulation shares)	1.35%
'A' Class (Income-2 shares)	1.35%
'I' Class (Accumulation shares)	0.75%
'I' Class (Income-2 shares)	0.75%
'R' Class (Accumulation shares)	0.85%
'R' Class (Income-2 shares)	0.85%
'S' Class (Accumulation shares)	0.10%

Total Expense Ratio ('TER') Methodology (Unaudited)

The total expense ratio is calculated in accordance with the principles set down by EFAMA, the Pan-European umbrella organisation of the Investments Funds Industry to comply with the Code of Conduct for the Swiss Funds Industry.

Definition of TER

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

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

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

Source of operating cost:

- (a) The following list is indicative, but not exhaustive, of the types of expenses included within the TER figure:
- fund management fees;
 - administration fees;
 - trustee or depositary fees;
 - custody fees;
 - audit fees;
 - fund accounting fees;
 - valuation fees;
 - fees for shareholder services;
 - registration fees and regulatory fees;
 - legal and advisory fees relating to fund establishment and operation;
 - performance fees (if applicable disclosed separately).
- (b) The total operating costs do not include:
- transaction costs (including transfer taxes);
 - interest on borrowing;
 - payments incurred because of financial derivative instruments;
 - fees paid directly by the investors, such as entry/exit fees;
 - soft commissions.

Average NAV

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

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.

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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