



Generating returns in an uncertain world

Simon Brazier – Portfolio Manager
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Target audience

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Themes

- The macro backdrop remains challenging
- Limited valuation upside from here
- Expect more volatility, although this provides an opportunity
- Reinvestment of cashflows is key for growth

The macro environment remains challenging

Political uncertainty



FX and commodity price volatility



Debt and deleveraging?

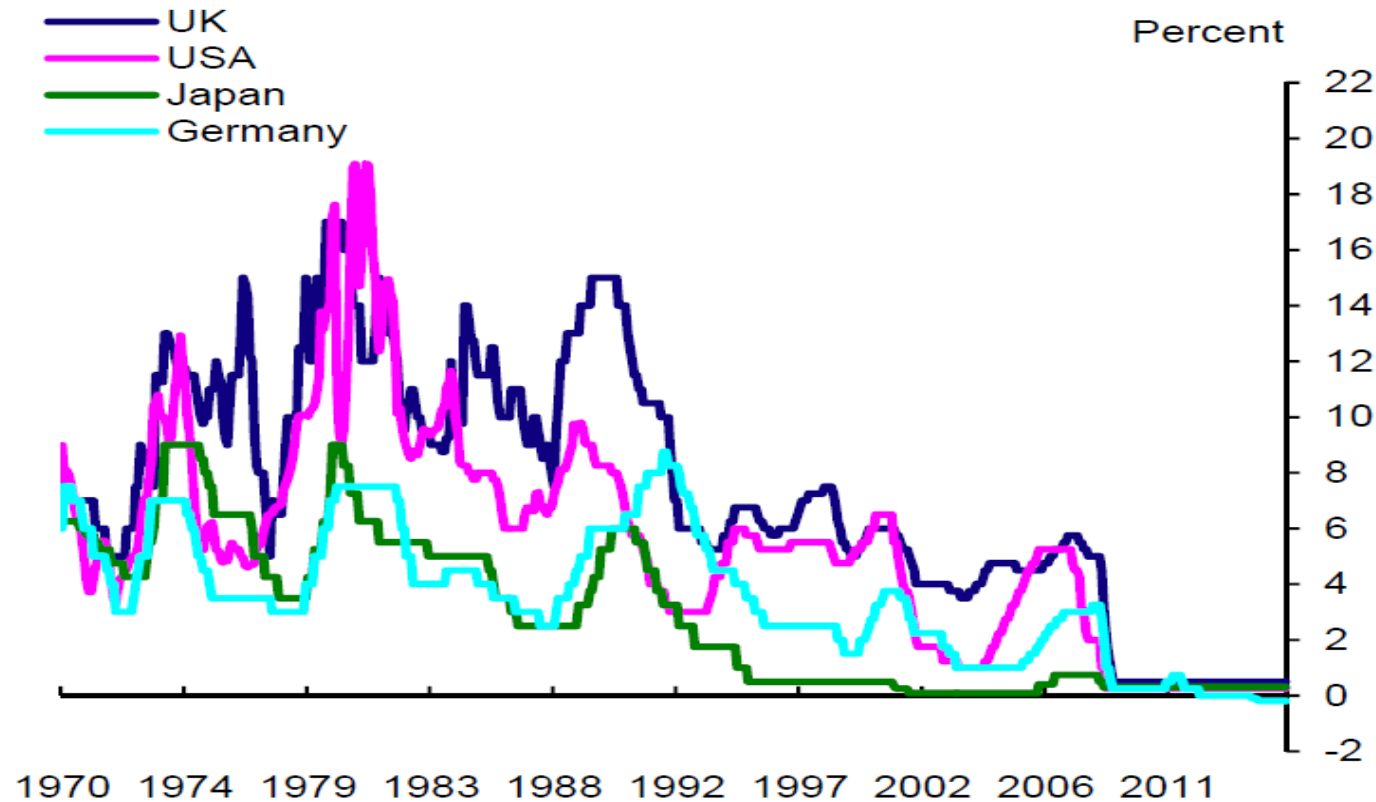


Monetary policy



Monetary policy options – pushing on a string?

International policy rates since 1970



Source: Bank of England speech, 'How low can you go?', Andrew Haldane, 18 September 2015

* Based on monthly data. Loosening cycles are assigned to subsamples according to the month of initial trough. Ranges are in percentage points and durations in months

Monetary policy options – pushing on a string?

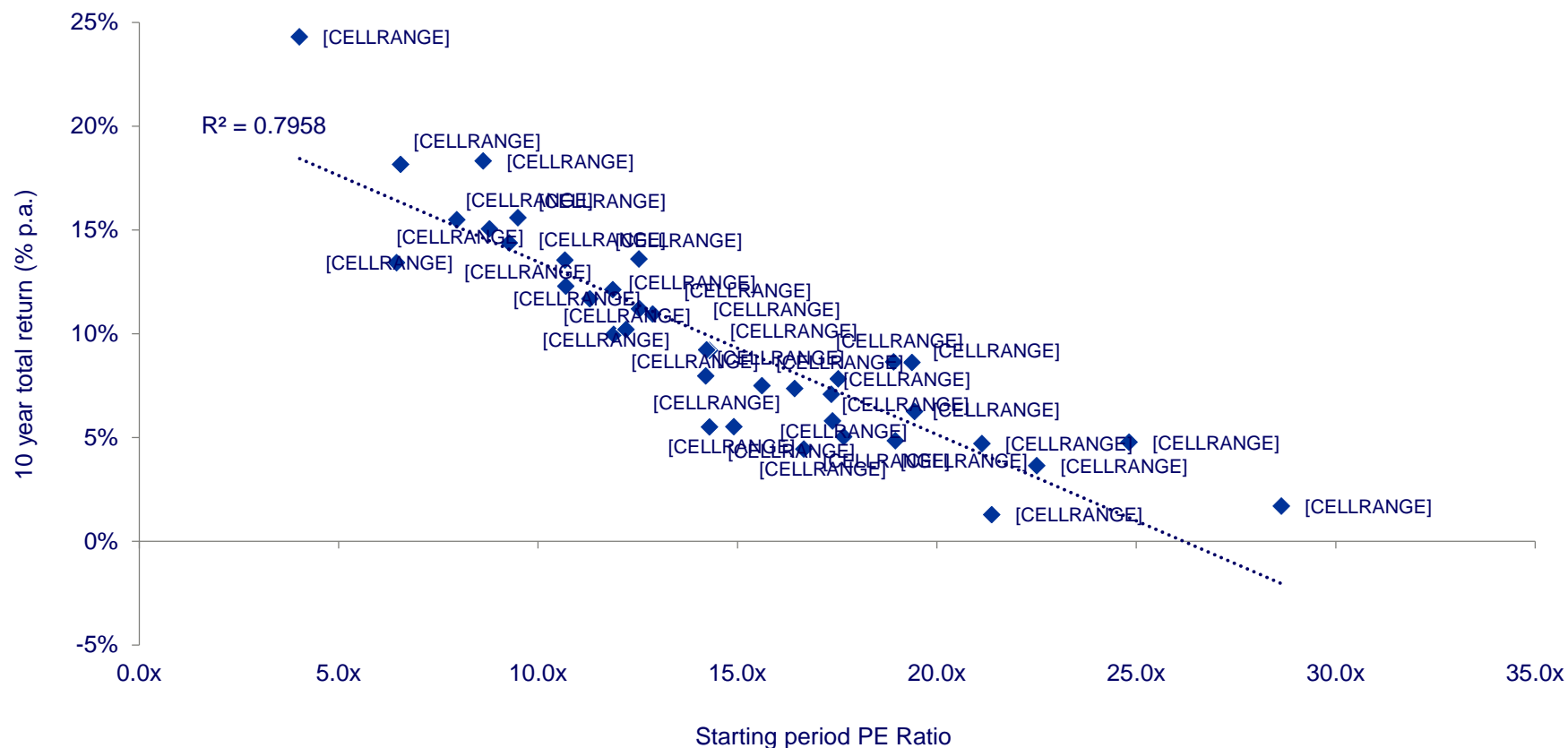
International policy rates since 1970

Country	1970-2014		1994-2014	
	Range (%)	Duration (months)	Range (%)	Duration (months)
UK	5.0	23.8	2.8	16.5
US	5.4	19.8	3.0	13.8
Germany	4.5	49.8	3.1	48.5
Japan	5.9	77.3	-	-
Sum	5.2	42.7	3.0	26.3

Source: Bank of England speech, 'How low can you go?', Andrew Haldane, 18 September 2015

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UK equity valuations are no longer cheap



Past performance should not be taken as a guide to the future, losses may be made. Data is not audited.

Source: Investec Asset Management, Bloomberg, Morgan Stanley Research, 31 December 2016.

Stock selection is key

FTSE All-Share: Trailing price to earnings

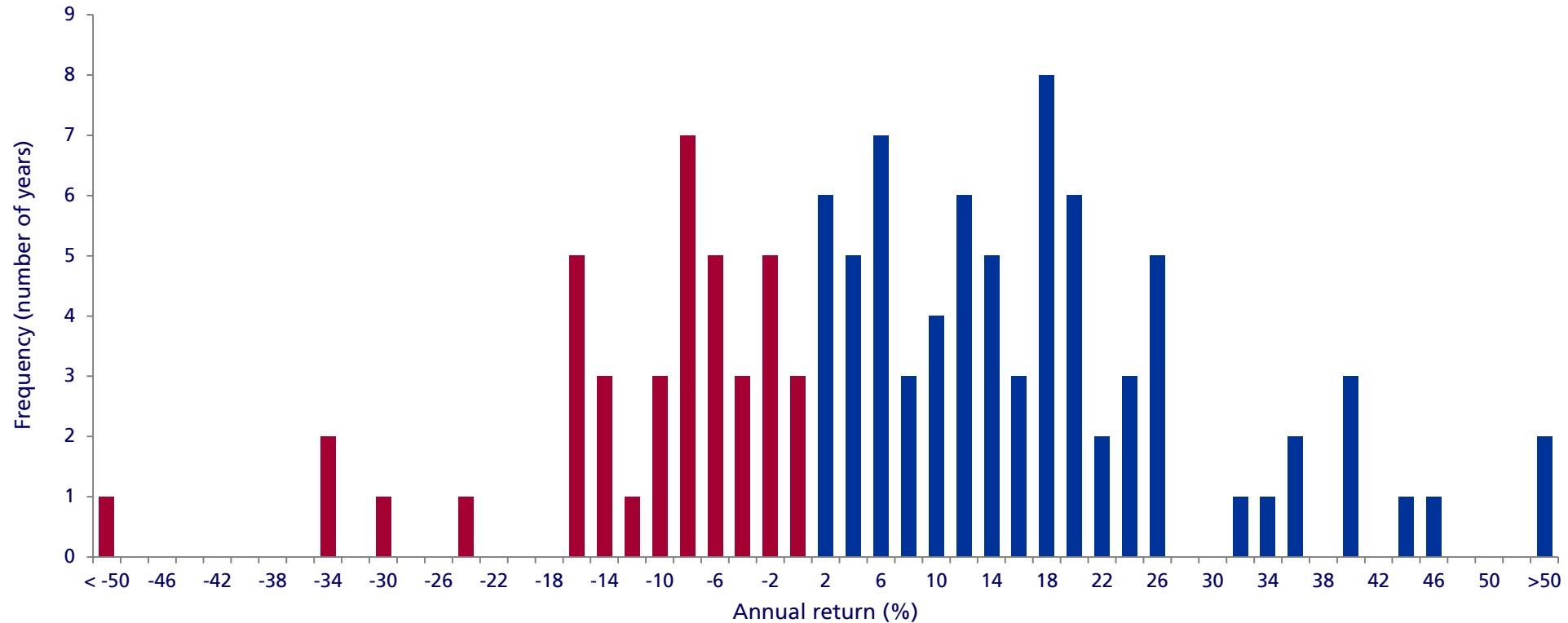


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Source: Morgan Stanley Research, 31 December 2016.

Equity markets are volatile

UK equity real annual returns (1900-2013)

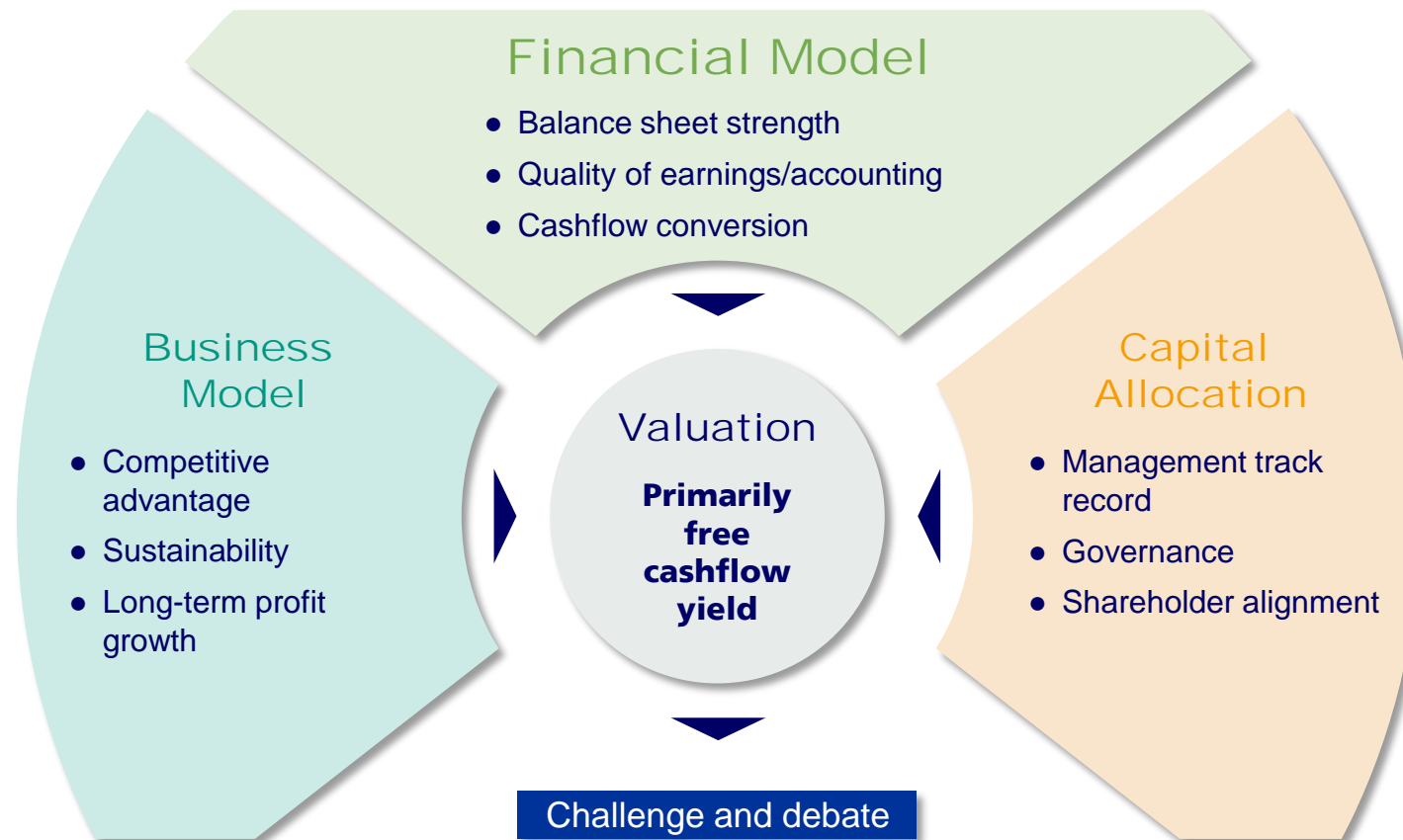


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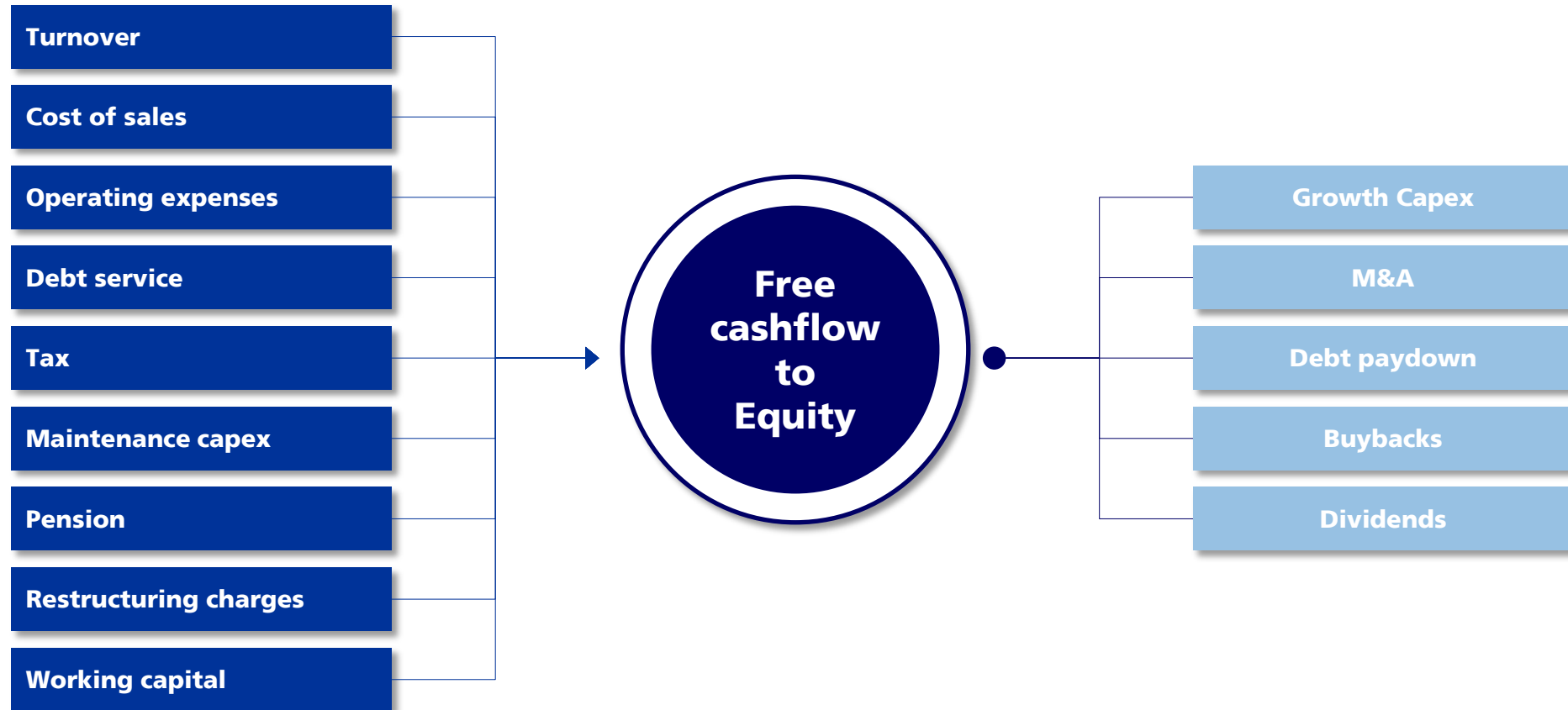
Source: Barclays Equity Gilt Study 2013

The Quality framework for analysing companies

In-depth proprietary fundamental research and analysis



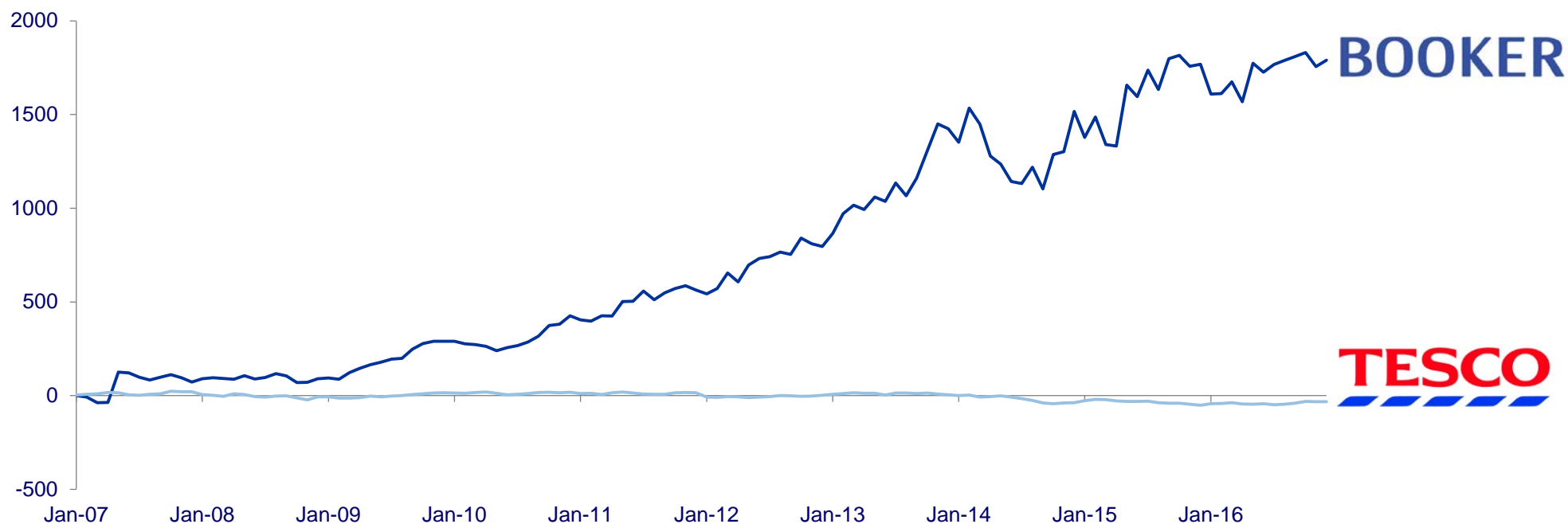
Cashflow generation and capital allocation



Capital allocation is key

The importance of capital allocation

Cumulative total return

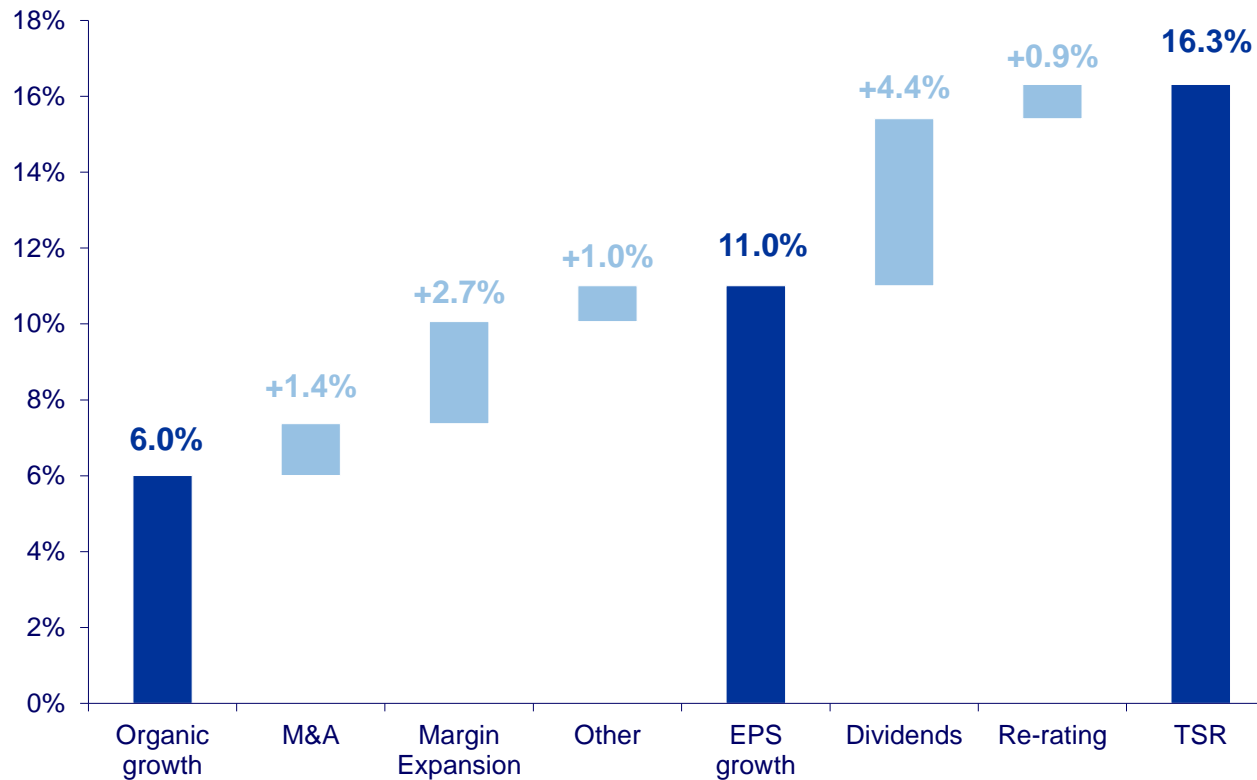


Past performance should not be taken as a guide to the future, losses may be made. Data is not audited.

Source: Bloomberg, 30 December 2016.

The classic quality compounder

Cumulative total return



Bloomberg, company reports, Investec Asset Management, 31 December 2015. For further information on specific portfolio names please see the Important Information section. This is not a recommendation to buy, sell or hold a particular security.

In conclusion

- The macro environment remains challenging
- Valuation risk has increased so identifying the right stocks is more important than ever
- We believe it's time to focus on quality businesses:
 - That can grow in a low growth world
 - With strong financials and management
 - That reinvest cash appropriately
- This approach is key to the success of the Investec UK Alpha Fund

