

Mercados Globales Larrain Vial



Investec Asset Management
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Out of the Ordinary



Currency Management – an alternative source of alpha

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- Any returns data shown does not represent the performance of an Investec fund and is being shown for informational purposes only



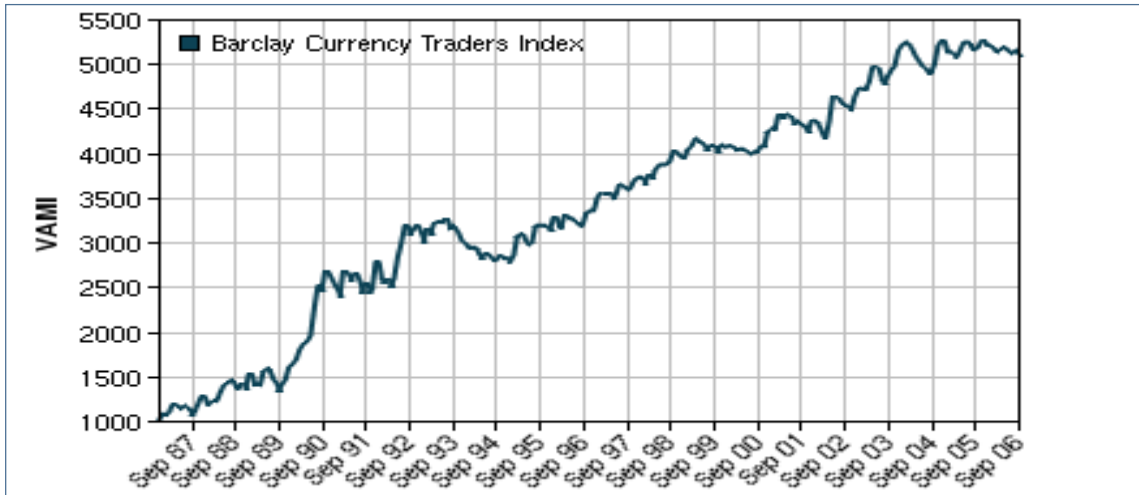
Why currency management

- Significant opportunities to add returns
- Currency markets are inefficient
 - Central banks
 - Corporate treasurers
 - Global investors
 - Tourists
- Currencies are uncorrelated to underlying assets
- The largest global market with a daily volume of USD 2 trillion



Barclay Currency Traders Index

An equal weighted composite of managed programs that trade currency futures and/or cash forwards in the inter bank market. In 2006 there are 106 currency programs included in the index.



Sharpe Ratio: 0.41

Correlation vs S&P 500: -0.04

Correlation vs US Bonds: 0.08

Correlation vs World Bonds: 0.13

| | | | | | | | | | |
|------|--------|------|--------|------|--------|------|-------|------|--------|
| 1987 | 29.56% | 1991 | 10.94% | 1995 | 11.49% | 1999 | 3.12% | 2003 | 11.08% |
| 1988 | 4.28% | 1992 | 10.27% | 1996 | 6.69% | 2000 | 4.45% | 2004 | 2.36% |
| 1989 | 18.89% | 1993 | -3.33% | 1997 | 11.35% | 2001 | 2.71% | 2005 | -1.21% |
| 1990 | 57.74% | 1994 | -5.96% | 1998 | 5.71% | 2002 | 6.29% | 2006 | -0.24% |

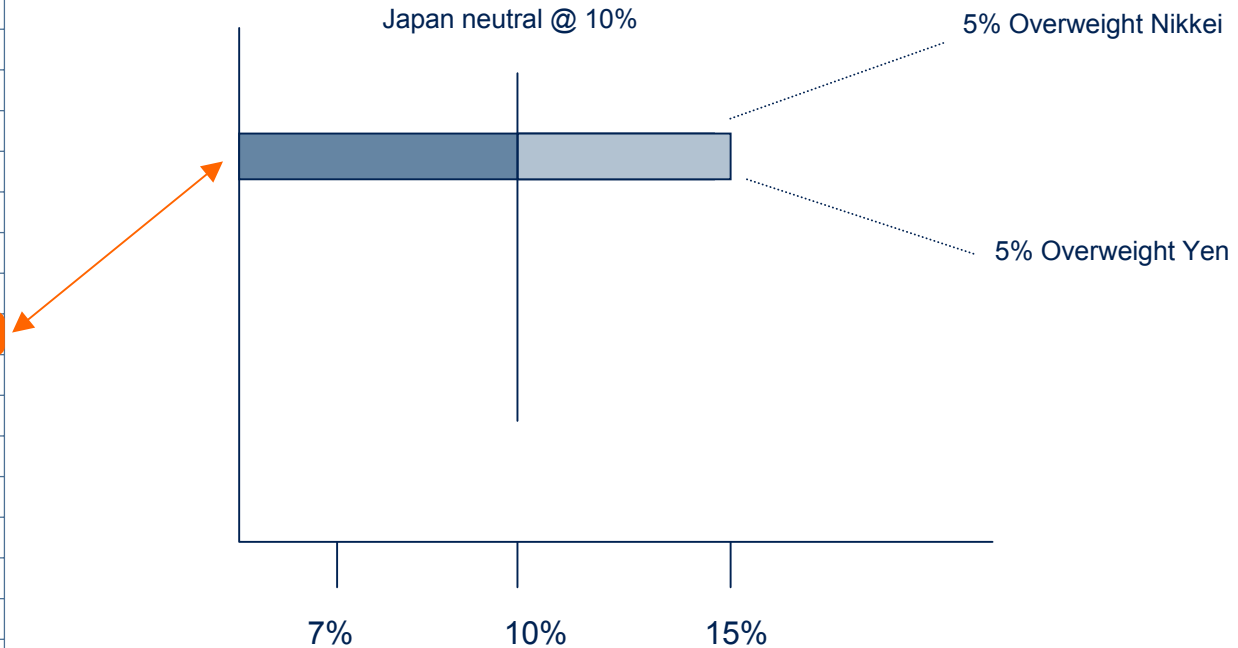
Source: www.barclaygrp.com/indices/cta/sub/curr.html



What is your risk?

Are you managing the underlying currency exposure of your investments? Your Nikkei overweight is also an overweight Yen risk. The two need to be managed separately.

| | |
|----------------|-------------|
| Australia | 2.55 |
| Austria | 0.25 |
| Belgium | 0.56 |
| Canada | 3.55 |
| Denmark | 0.34 |
| Finland | 0.73 |
| France | 4.62 |
| Germany | 3.38 |
| Greece | 0.31 |
| Hong Kong | 0.76 |
| Ireland | 0.38 |
| Italy | 1.80 |
| Japan | 9.89 |
| Netherlands | 1.61 |
| New Zealand | 0.07 |
| Norway | 0.41 |
| Portugal | 0.15 |
| Singapore | 0.40 |
| Spain | 1.79 |
| Sweden | 1.14 |
| Switzerland | 3.26 |
| United Kingdom | 10.40 |
| United States | 45.66 |



Source:
Investec



Three choices available

Do Nothing



- Easiest option, but:
- Most risky
- Least efficient

Passive or
No Risk



- No unmanaged currency risk, but:
- Eliminates diversification
- Eliminates excess alpha returns

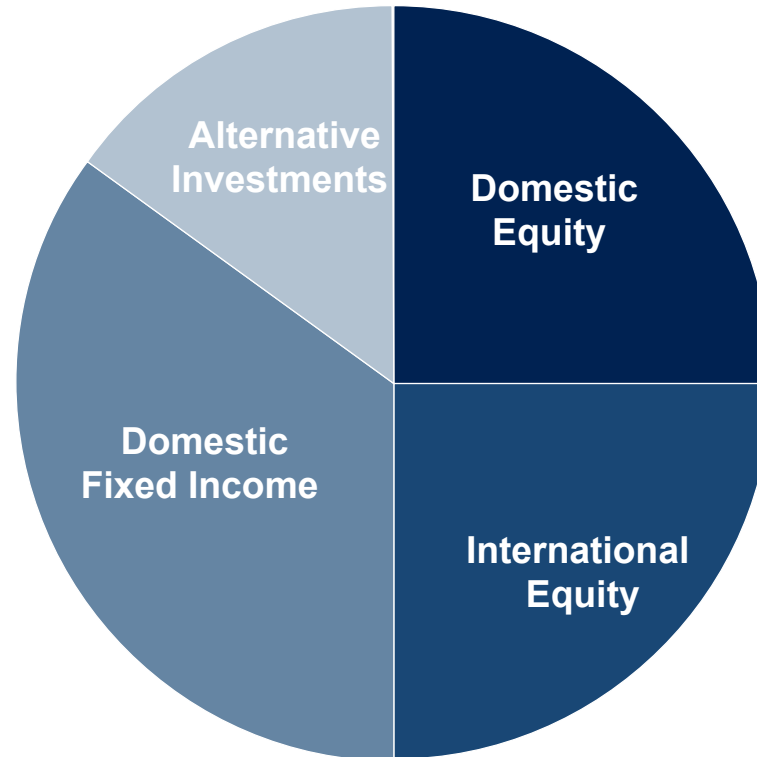
Active



- Most optimal solution
- Managing risk
- Adding uncorrelated alpha



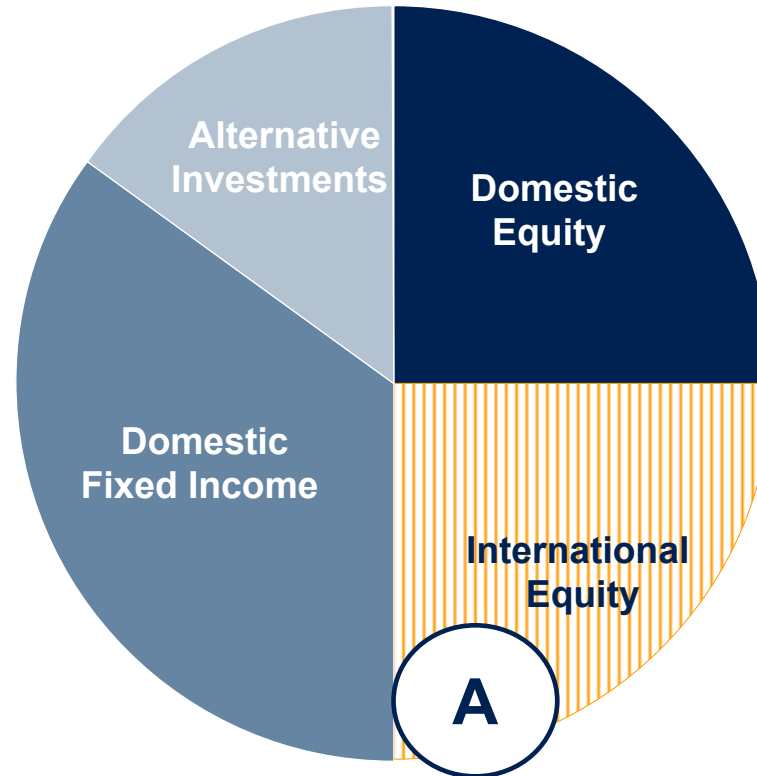
Adding value through currency management





Adding value through currency management

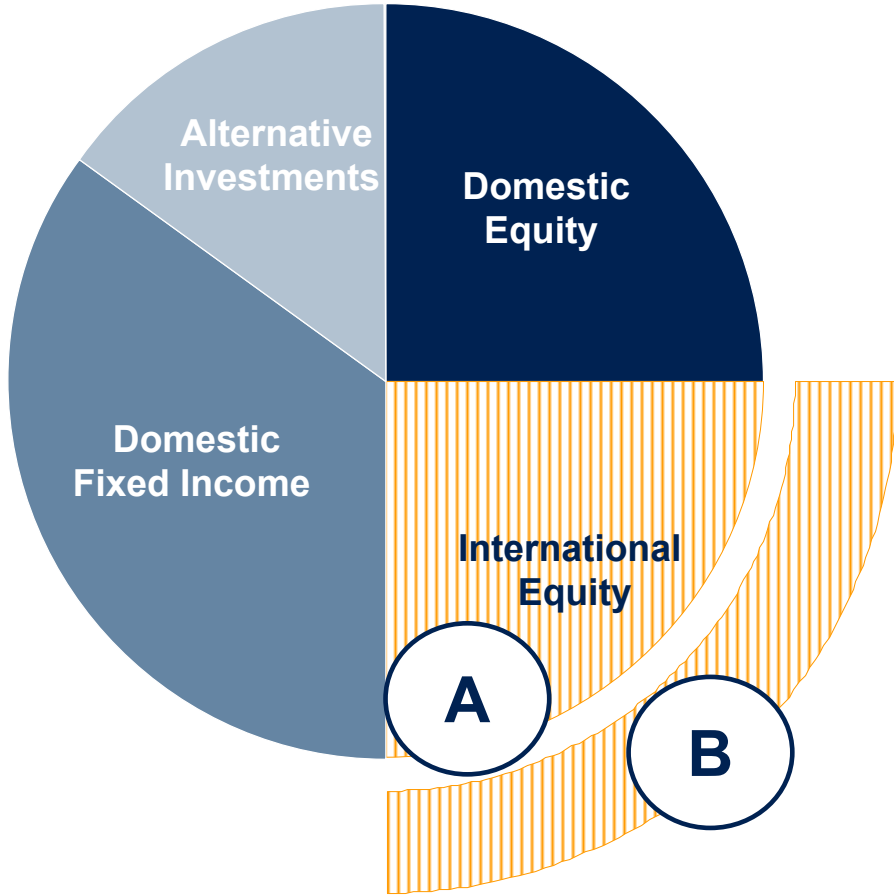
A Risk Management





Adding value through currency management

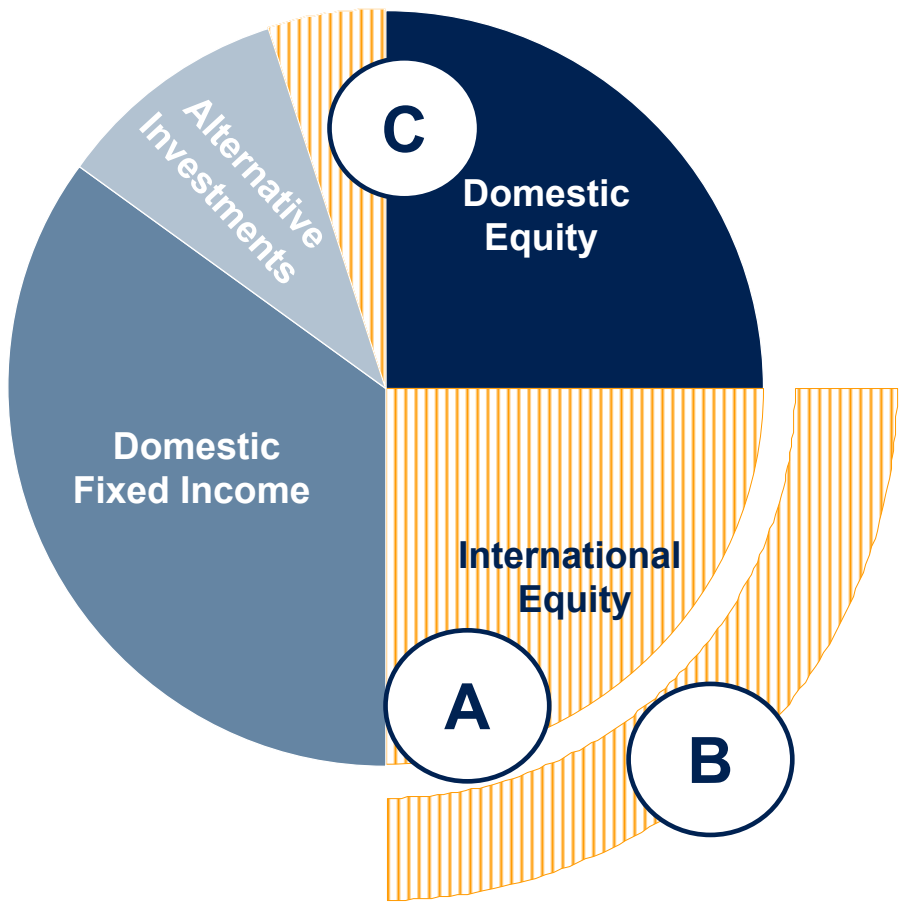
- A** Risk Management
- B** Active Currency - Overlay





Adding value through currency management

- A** Risk Management
- B** Active Currency - Overlay
- C** Active Currency - Funded





Investec Currency Management

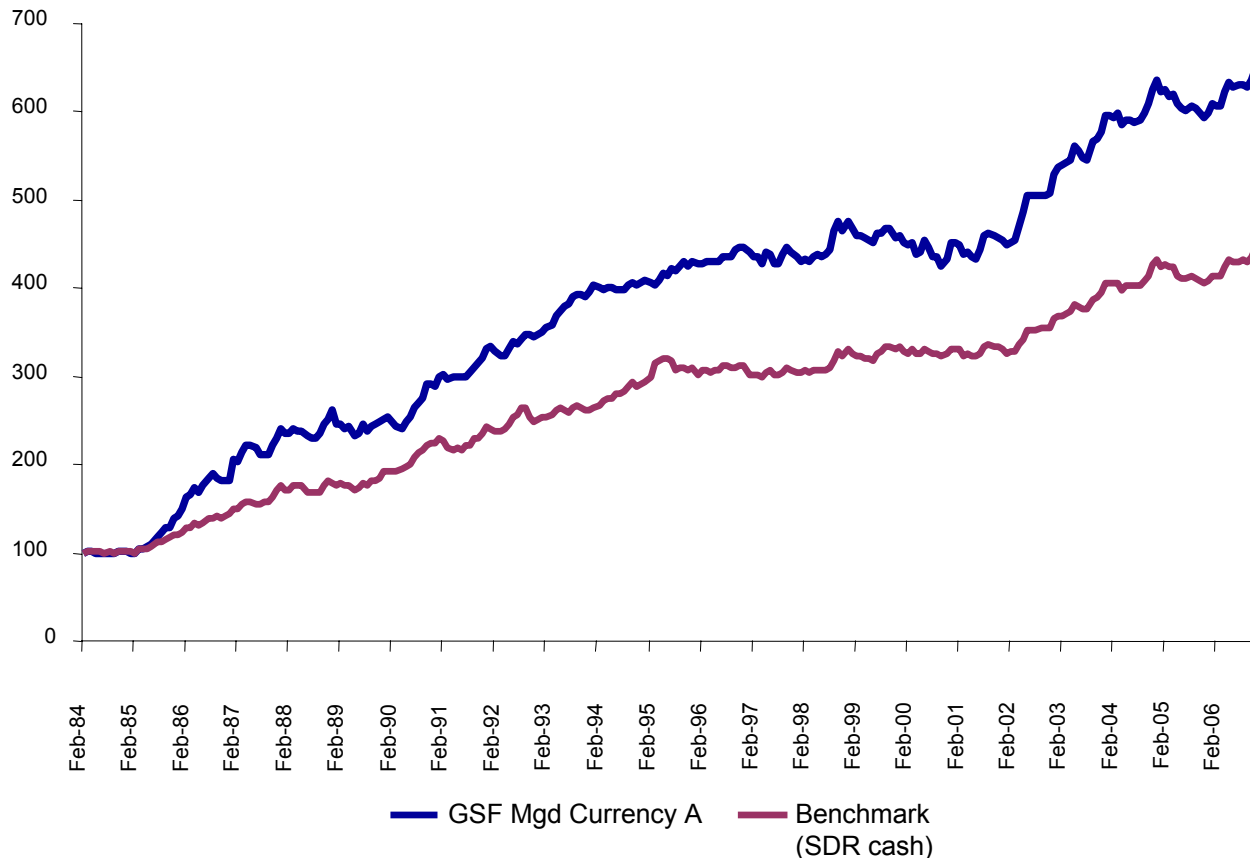
- Long heritage of active currency management back to 1981
- Dedicated currency team with extensive support
- Disciplined discretionary style using quantitative and qualitative inputs
- Innovative regime driven approach to identify strategic and tactical opportunities
- A wide investment universe of over 30 currencies



Investec's currency heritage

- Investec pioneered active currency management back in 1981

Investec Global Managed Currency Fund. Information Ratio: 0.60 since inception





Portfolio Construction

- Strategic Positions

+

- Tactical Positions

+

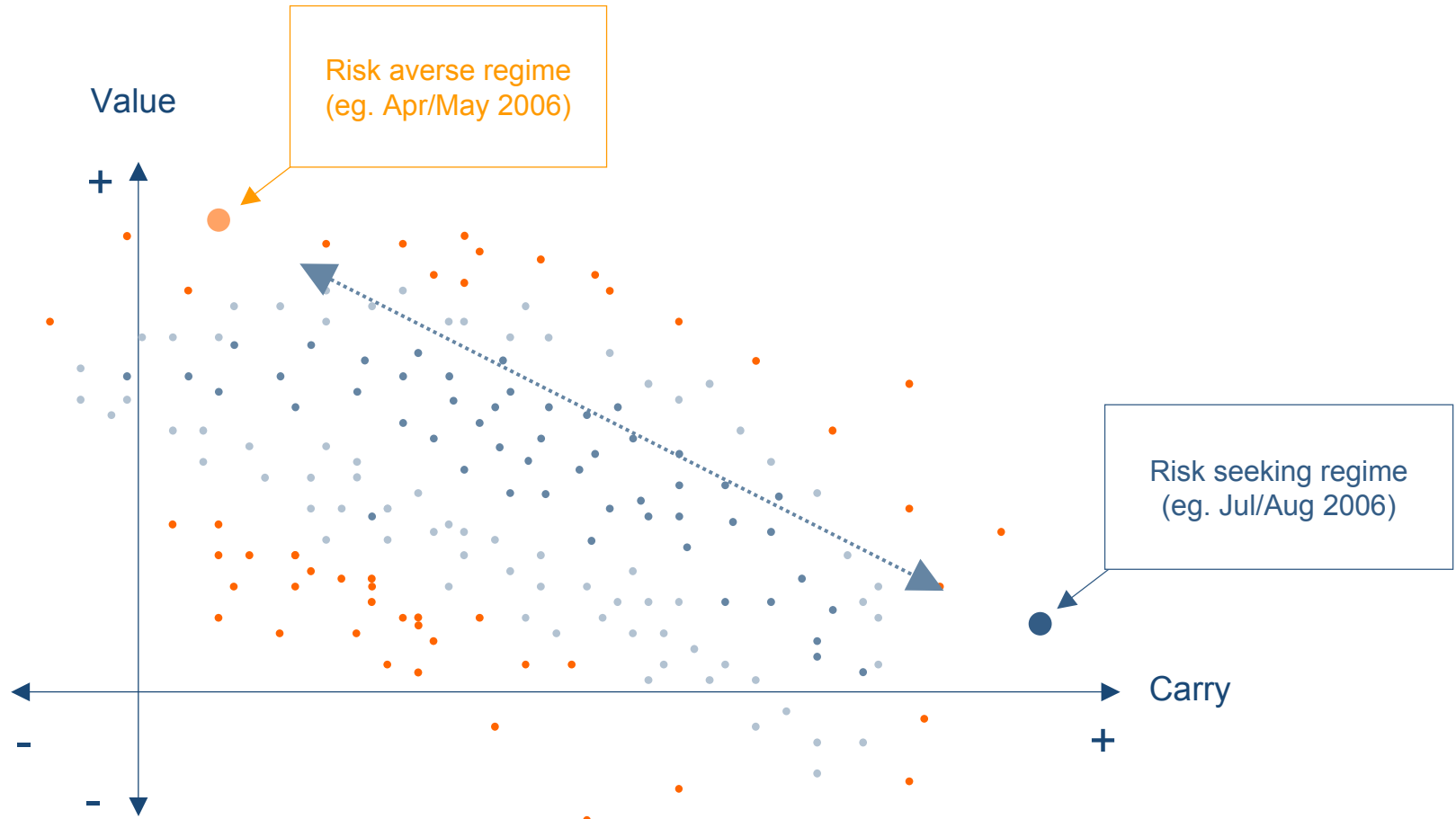
- Emerging Market Positions



Diversified drivers of performance



We identify changing importance of Strategic drivers



Strategic positions adjusted to reflect this

Source: Investec



Most models do this



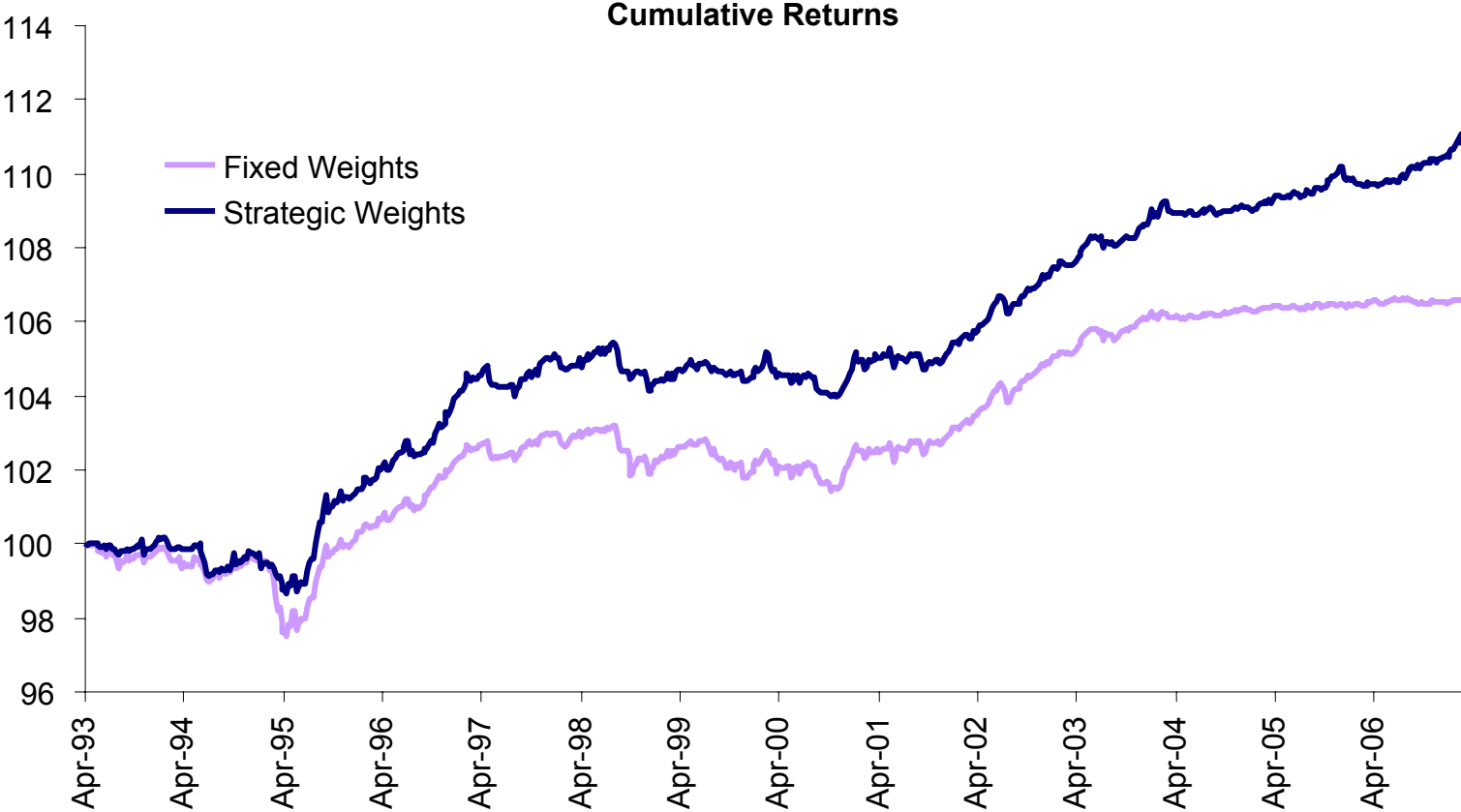
| | |
|--------------|------------|
| Risk | 0.75% |
| Return | 0.46% |
| RATIO | 0.6 |

The model results shown above are backtested based on a methodology that is derived from an analysis of past market data. These results do not reflect the performance of an Investec managed account or fund and are being shown for informational purposes only.

Source: Investec



Our innovative approach allows us to do this



| | |
|--------------|------------|
| Risk | 0.75% |
| Return | 0.73% |
| RATIO | 1.0 |

| | |
|--------------|------------|
| Risk | 0.75% |
| Return | 0.46% |
| RATIO | 0.6 |

The model results shown above are backtested based on a methodology that is derived from an analysis of past market data. These results do not reflect the performance of an Investec managed account or fund and are being shown for informational purposes only.

Source: Investec

2006 in a currency pair: NZD/JPY



Source: Bloomberg



Tactical currency analysis

Tactical opportunities add another source of returns :

- Macroeconomic and interest rate views
- Technical indicators and trends
- Contrarian signals



Emerging currency analysis

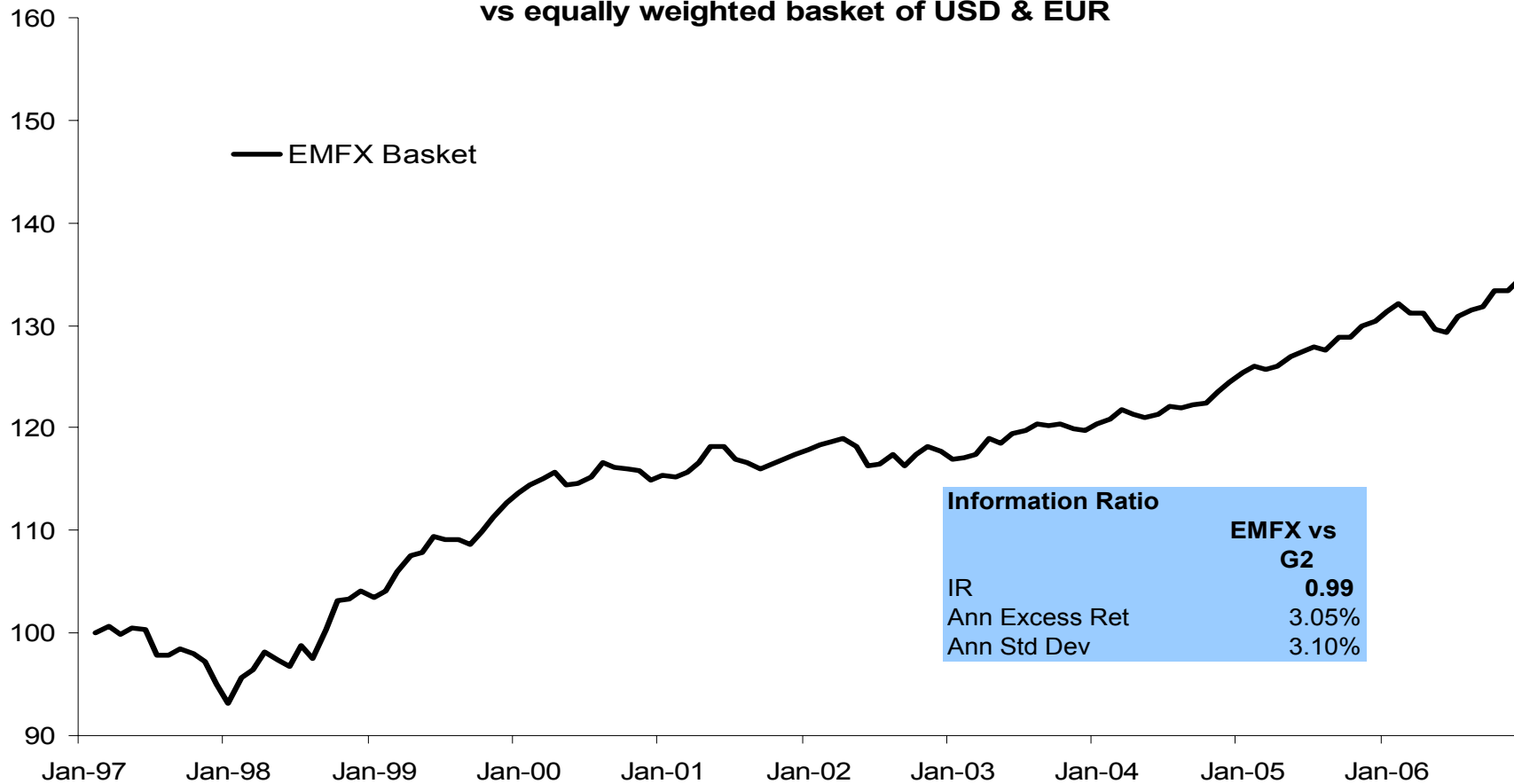
Emerging currencies offer returns & diversification

- Proprietary Fundamental RISK Indicator (FRISKI) developed in 1997
 - Monitors 5 key economic variables to identify emerging currencies vulnerable to a crisis
- Over 20 emerging market currencies analysed and ranked
- Dedicated Emerging Market team provides additional qualitative insight



Emerging Market Currency (EMFX) outperforms even despite crisis episodes...

Cumulative return of FRISKI Basket & Equally weighted EMFX basket vs equally weighted basket of USD & EUR



| Information Ratio | |
|-------------------|------------|
| | EMFX vs G2 |
| IR | 0.99 |
| Ann Excess Ret | 3.05% |
| Ann Std Dev | 3.10% |

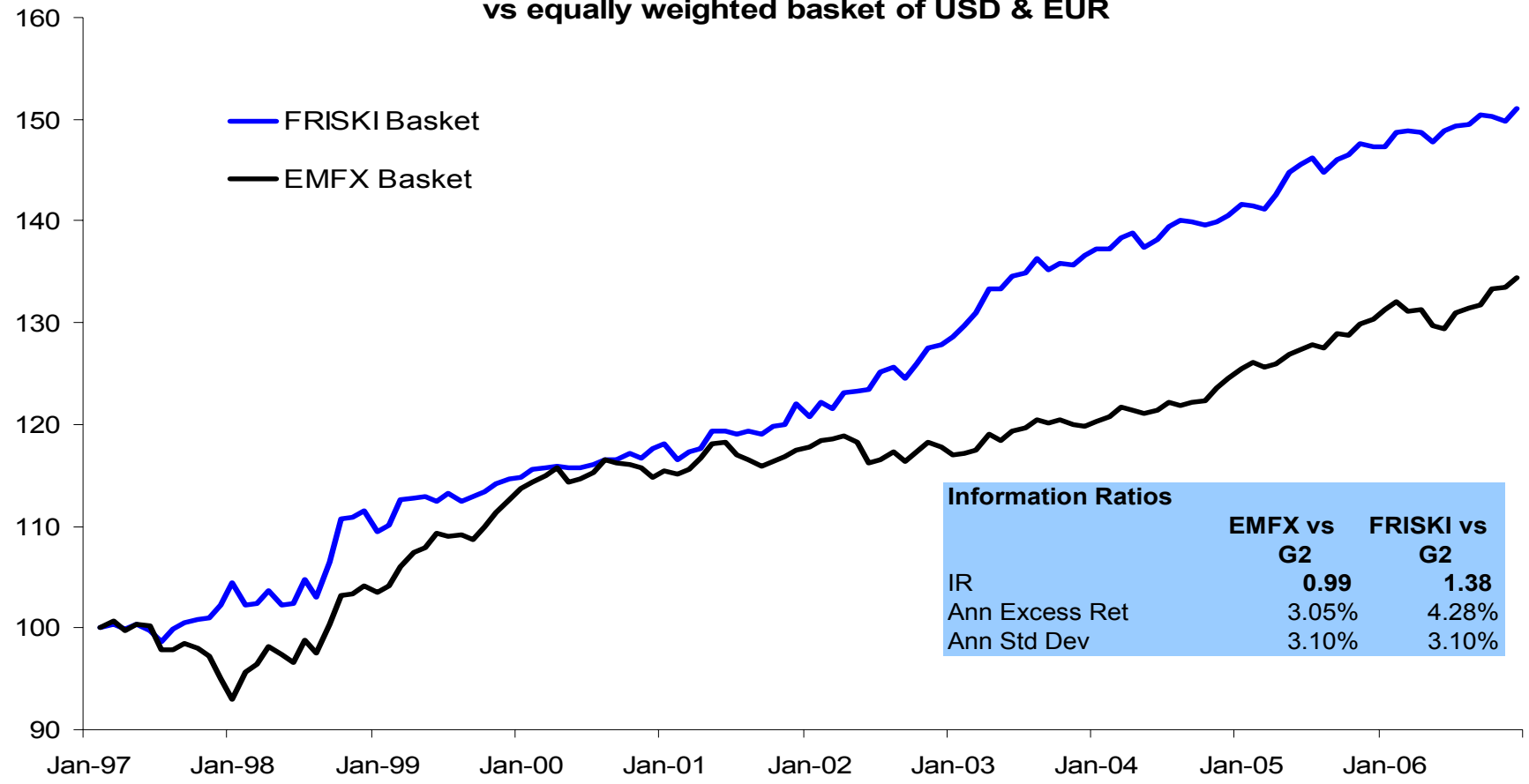
Source: JP Morgan ELMI+ indices, Investec Asset Management calculations.

Period: Jan 1997 to Dec 2006

...but FRISKI does better



Cumulative return of FRISKI Basket & Equally weighted EMFX basket vs equally weighted basket of USD & EUR



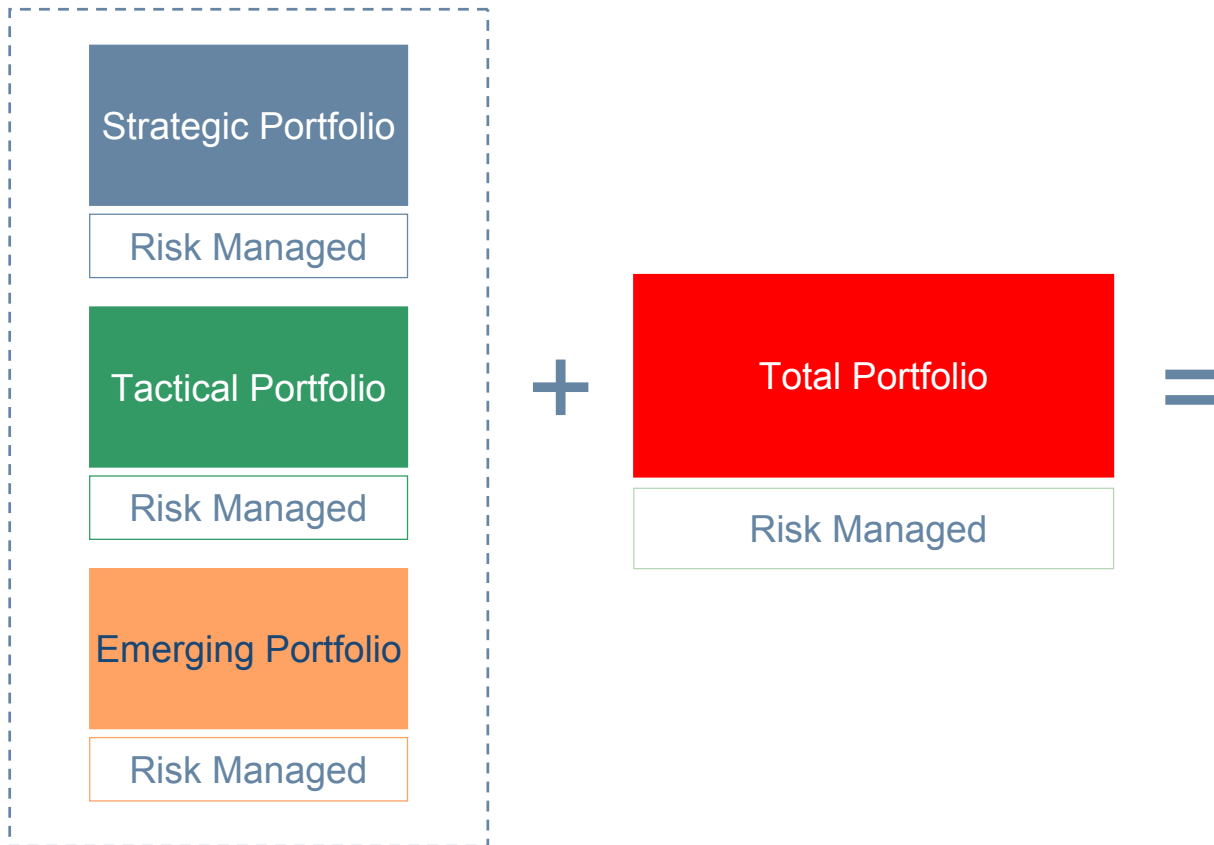
| Information Ratios | | |
|--------------------|------------|--------------|
| | EMFX vs G2 | FRISKI vs G2 |
| IR | 0.99 | 1.38 |
| Ann Excess Ret | 3.05% | 4.28% |
| Ann Std Dev | 3.10% | 3.10% |

Source: JP Morgan ELMi+ indices, Investec Asset Management calculations.

Period: Jan 1997 to Dec 2006



Portfolio risks managed at every stage



- Continuous monitoring of risk within the process
- External review by dedicated risk specialists
- Draw down limits managed via market orders



In summary

Currency management

- an alternative source of alpha
- uncorrelated returns to other asset classes
- inefficient market due to the non-profit maximising participants
- a tool to manage risk as well as return



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- **This presentation does not constitute an advertisement for a Fund in a country where that Fund is not registered for sale**
- **Should you be interested in investing in an Investec fund, the full documentation required to make an investment, including the Prospectus or Scheme Particulars, is available from Investec Asset Management**
- **The Scheme Particulars contain more complete information on risks, sales charges and expenses. It should be read carefully before investing**



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