

Continental European Equity Fund

Performance Review

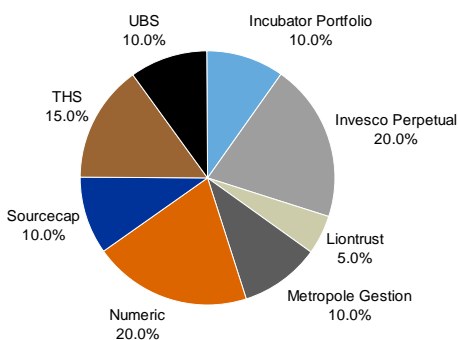
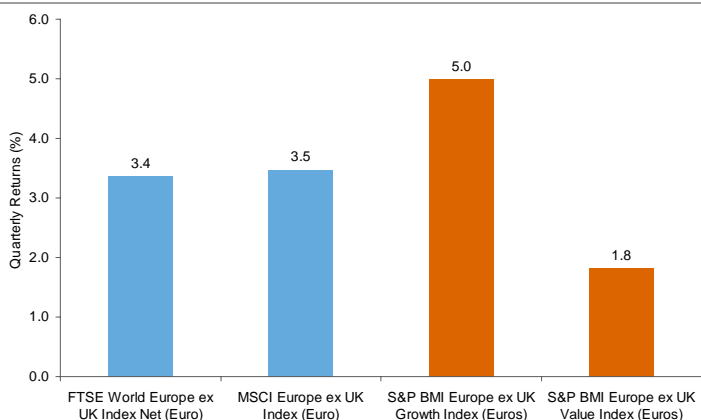
	One Month %	Three Months %	Year to Date %	One Year % ¹	Three Years %	Five Years %	Ten Years %	Since Inception % ²
Continental European Equity Fund (USD) Gross of fees	1.2	1.2	35.2	35.2	-6.4	4.5	3.3	8.7
FTSE World Europe ex-UK Index (USD) ³	1.0	1.5	33.6	33.6	-4.8	5.6	3.2	8.3
Continental European Equity Fund (RAND) Gross of fees	0.3	-1.7	7.7	7.7	-5.0	10.2	5.2	13.7
FTSE World Europe ex-UK Index (RAND)	0.0	-1.4	6.4	6.4	-3.4	11.4	5.1	13.4

¹ Returns greater than one year are annualised.

² Inception date 05/03/96. Performance is measured from 01/04/96. In order to enable accurate peer relative and total return benchmark relative performance comparisons, performance is calculated from the first full month following inception.

³ Prior to 1st January 2009, benchmark was gross of withholding tax, total return. Benchmark currently net of withholding tax.

Fund Highlights and Portfolio Management Activity



As at 31/12/2009

- The FTSE Europe ex UK Index rose 3.4% during the fourth quarter, reaching its highest level since late September 2008, as investors speculated that the economic recovery was gathering pace. Economic data was largely positive for the eurozone over the quarter as the region officially ended its first recession. Inflation turned positive after seven months, relieving deflation fears, while the growing unemployment rate stagnated. However, fears remained of a somewhat asymmetric European recovery as Greece saw its sovereign debt rating downgraded due to the country's swelling budget deficit. The technology sector was the worst performer as third-quarter earnings disappointed. Financial stocks also struggled as the European Central Bank raised its estimates of bank writedowns and bad debt fears reignited as news broke that state-run Dubai World was seeking to delay debt payments. The basic materials sector was by far the best performer as commodity prices continued to rise due to a weakening US dollar and a surge in China's factory output. In a reversal of third-quarter performance, growth stocks outperformed value and large-cap stocks outperformed their smaller peers as risk appetite diminished.
- The Fund finished broadly in line with its benchmark as under-performance from our more value-oriented managers was offset by strong returns elsewhere.
- UBS was the best-performing manager as the market rewarded its growth style. Its stock selection in financials where it favours companies which it believes possess good loan growth potential and emerging market exposure drove outperformance. Selection within the industrials sector enhanced performance.
- Metropole was the worst-performing as its underweight to the rallying materials sector, believing that many stocks are overvalued, detracted from performance. Its exposure to underperforming French and Italian banks - which it believes possess good management, are undervalued and offer greater earnings visibility than peers - also contributed negatively.

Quarterly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Sourcecap	Growth-oriented, accelerating income and cashflow	- -	Sourcecap's stock selection in the financials sector, where it holds a small number of stocks which it believes possess good earning visibility and balance sheet strength, detracted from returns. Its overweight to navigation device manufacturer TomTom also hindered returns as it reported lower-than-expected third-quarter profits and faced an increase in competition after Google announced it was entering the navigation business.
Incubator Portfolio	Allocation to new products	- -	Deep-value manager DFA underperformed in an environment that strongly favoured growth stocks. Its holdings in the financials sector which it believes are attractively valued against book value, such as insurance firms ING Groep and AXA, detracted from performance.
Invesco Perpetual	Stock selection, mix of quality, growth and valuation	+	Invesco's stock selection in the industrials sector, where it favours cheap growth stocks which it believes possess 'quality' characteristics, drove outperformance. Its stock selection in the technology sector was also a notable positive.
Liontrust	Quality of earnings / earnings surprise	-	Liontrust's aggressive underweight to strong-performing consumer goods stocks, which increased during the quarter, detracted from performance. Its stock selection in the basic materials sector, where it holds stocks which it believes possess robust cashflow characteristics, also hindered returns.
Metropole Gestion	Value-oriented stock selection	- -	The reversal in style leadership from value to growth stocks during the quarter detracted from Metropole's performance. Its underweight to the materials sector and holdings in the financials sector were the main negative contributors.
Numeric	Multi-factor quantitative model	Flat	Quant manager Numeric benefited from its stock selection in the industrials and technology sectors. However, this was offset by its security selection in the telecoms and materials sectors. Its large overweight to life insurer ING Groep, which declined after it surprised the market with a larger-than-expected rights issue, further weighed on performance.
THS	Growth At a Reasonable Price	Flat	THS' stock selection in the financials sector was a notable position. However this was offset by its low exposure to strong-performing materials stocks. The manager believes that it has sufficient exposure to emerging market growth, which it posits is the main driver of materials demand, through its other investment themes.
UBS	Growth / Momentum	+	The manager's stock selection in the financials sector was the main positive contributor. Its overweight to small to mid-cap industrials stocks, which it believes offers good growth prospects, enhanced performance.

Sector Analysis

Sector Exposure	Sector Weights %			Quarterly Sector Returns
	Fund	Benchmark		
Basic Materials	7.5	7.5		16.9
Consumer Goods	12.0	14.5		10.2
Consumer Services	8.7	5.0		3.6
Financials	25.3	25.7	-4.8	
Health Care	8.4	8.9		7.8
Industrials	16.6	12.8		4.7
Oil & Gas	6.5	7.4		8.3
Technology	3.4	3.4	-4.9	
Telecommunications	7.5	7.0		3.9
Utilities	4.1	7.7		1.0

Top Ten Holdings

Company Name	Country	Sector	Fund %	Benchmark %
Novartis AG	Switzerland	Health Care	2.7	2.4
France Telecom SA	France	Telecommunications	2.4	1.0
Roche Holding AG	Switzerland	Health Care	2.0	2.3
BNP Paribas	France	Financials	1.8	1.6
Sanofi-Aventis	France	Health Care	1.8	1.5
ING Groep NV	Netherlands	Financials	1.8	0.7
Allianz AG	Germany	Financials	1.7	1.1
DaimlerChrysler AG	Germany	Consumer Goods	1.5	1.1
Repsol YPF SA	Spain	Oil & Gas	1.3	0.6
Total SA	France	Oil & Gas	1.3	3.0

Portfolio Profile and Risk Characteristics

Profile Characteristics	Fund	Benchmark
Sector Deviation	6.09	0.00
Market Cap Weighted NLog	-0.65	0.00
Valuation Characteristics:		
Price/Earnings (excl negative earnings)	15.96	15.2
Dividend Yield (%)	3.48	3.58
Price/Book	1.29	1.50
EPS Growth (1Year Forecast)	-1.22	-2.94

	One Year		Three Years		Five Years	
	Fund	Average Manager	Fund	Average Manager	Fund	Average Manager
Tracking Error	3.5	8.3	2.8	6.5	2.3	5.7

* Manager Attribution Key	Relative Performance vs Fund Benchmark
++	>1.0%
+	0.3% to 1.0%
Flat	-0.3% to 0.3%
-	-1.0% to -0.3%
--	<-1.0%

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