

Pacific Basin Equity Fund

Performance Review

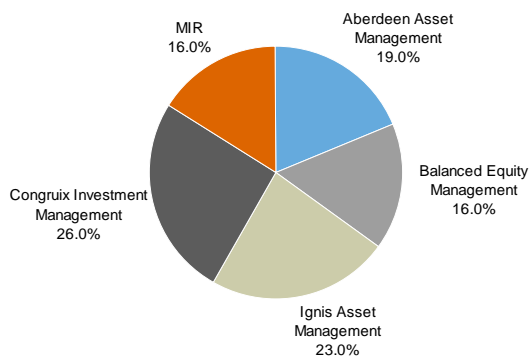
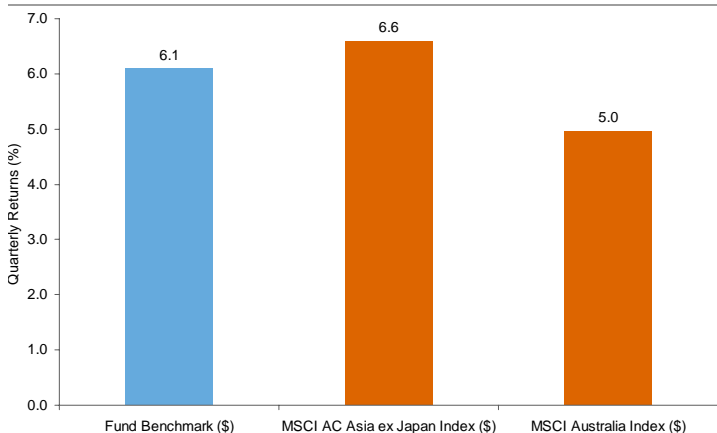
	One Month %	Three Months %	Year to Date %	One Year % ¹	Three Years	Five Years %	Ten Years %	Since Inception % ²
Pacific Basin Equity Fund (USD) Gross of fees	4.5	6.9	78.3	78.3	4.6	12.7	9.0	8.6
Fund Benchmark (US\$) ³	3.6	6.1	73.2	73.2	4.8	13.0	8.3	6.2
Pacific Basin Equity Fund (RAND) Gross of fees	3.5	3.9	42.0	42.0	6.1	18.9	10.9	14.0
Fund Benchmark (RAND)	2.6	3.1	38.0	38.0	6.3	19.2	10.2	11.4

¹ Returns greater than one year are annualised.

² Inception date 09/06/95. Performance is measured from 01/07/95. 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 Benchmark prior to 05/10/2005 was the MSCI All Country Pacific ex-Japan Index. Benchmark currently MSCI All Country Asia Pacific ex-Japan Index.

Fund Highlights and Portfolio Management Activity



As at 31/12/2009

- The MSCI Asia Pacific ex Japan Index advanced 6.1% during the final quarter of 2009, as the G-20 agreed to maintain expansive fiscal and monetary policies in an effort to encourage a sustainable recovery, leading to increased risk appetite. Confidence gathered within the region as data showed that Asia's fastest growing economies – China, India and Indonesia – were closer to economic recovery than their Western counterparts. China and India led early gains as both economies grew more-than-expected as stimulus measures boosted demand and manufacturing activity surged. Positive US GDP data paired with rising commodity prices also drove stocks higher. Copper in particular reached a 15-month high amid speculation that demand will strengthen and drain stockpiles; this notably benefited Australian mining equities. At a sector level, Indian steel companies drove materials upwards on renewed merger and acquisition activity. Consumer staples was amongst the best-performing sectors as consumer confidence and spending increased within the region. However, concerns over Dubai World's debt highlighted the fragility of world markets and has led investors to remain wary of the sustainability of the rally.
- The Fund finished ahead of the benchmark during the final quarter of 2009 as its cyclical overweight proved to be favourable. The overweight was largely contributable by most manager's being exposed to Chinese consumer stocks, Congruix in particular. In addition, the Fund's small-cap and volatility bias also drove outperformance. Gains were hindered by BEM as its performance reversed slightly following a strong run. Ignis, however, was the best-performing manager. An overweight to, and stock selection in, China was the primary driver of the manager's outperformance.
- The Fund went through some changes during the quarter. In October 2009, the mandates of MIR and Ignis were modified, and TT International was added to the Fund in December 2009. New higher conviction manager TT's process can be seen as pragmatic and designed to adapt through the market cycle. We particularly like its top down process which is distinctive in that it also considers geopolitical risk and market sentiment. With regards to the mandate changes, Russell believes Ignis will be better able to express its relative country views within an Asia Pacific mandate and the recent concerns on MIR's Australian qualitative team followed by a downgrade of the Australian product led to the decision of changing its mandate..

Quarterly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Aberdeen Asset Management	Fundamental analysis with a strong focus on valuation and quality	-	Value manager Aberdeen underperformed during the final quarter of the year. A large underweight to Chinese equities as well as the lack of exposure in the retail sector and coal related stocks were a notable laggard. The manager's positions in China reflect its incapacity to find stocks with attractive valuation and quality characteristics.
Balanced Equity Management	Contrarian approach based on sum of the parts through cycle valuations	-	A significant underweight to the world's largest mining company, BHP Billiton, was the single largest detractor for the Australian manager. The stock, and the sector in general, rose on news China may begin increasing its imports of commodities for its strategic reserves in the New Year.
Congruix	Thematic driven approach, focusing on growth opportunities	+	Stock selection within Australian and Chinese materials was the notable driver of performance. Exposure to China's biggest maker of containerboard paper for packaging, Nine Dragons Paper Holdings, proved beneficial. The company's strong performance and subsequent increased capitalisation enabled its inclusion in the MSCI Emerging Markets Index, further boosting its stock price. The manager has been reducing the portfolio's tracking error, taking profits from stocks that have rallied sharply.
Ignis Asset Management	Sustainable growth manager	++	Selection within materials – the best-performing sector during the quarter – was a notable positive. Over the last few months, the manager has been building on its Chinese exposure, which now represents its largest country overweight. The position proved to be positive. An overweight to Tencent Holdings, China's biggest internet company by market value, proved beneficial as the company announced third quarter profits rose 93% as online game sales surged.
MIR	Combination of quantitative and qualitative approaches	+	The value and momentum manager was rewarded over the last three months of the year. While value and growth performed in line during the quarter, MIR benefited from a strong earnings and short term price momentum. Stock selection was the main driver of performance, especially in the Chinese energy sector.
TT International	Adapt approach through market cycles		The manager was added to the Fund during the quarter.

Country Analysis

Country Exposure	Country Weights %		Quarterly Country Returns
	Fund	Benchmark	
Australia	28.8	25.6	4.9
China	16.8	19.5	9.9
Hong Kong	8.1	8.0	6.0
India	8.8	8.2	7.8
Indonesia	2.2	2.0	5.3
Korea	12.0	13.9	2.3
Malaysia	2.0	2.9	6.7
New Zealand	0.1	0.4	9.8
Philippines	0.5	0.5	9.4
Singapore	8.0	5.1	8.1
Taiwan	10.8	12.4	1.1
Thailand	1.6	1.5	
Other	0.3	0.0	

Top Ten Holdings

Company Name	Country	Sector	Fund %	Benchmark %
BHP Billiton, Ltd.	Australia	Materials	4.3	4.4
Samsung Electronics Co., Ltd.	South Korea	Information Technology	3.2	2.9
Australia & New Zealand Banking Group, Ltd.	Australia	Financials	2.3	1.7
China Mobile, Ltd.	Hong Kong	Telecommunication Services	2.1	1.9
Westpac Banking Corp.	Australia	Financials	1.8	2.3
Commonwealth Bank of Australia	Australia	Financials	1.8	2.5
National Australia Bank, Ltd.	Australia	Financials	1.7	1.7
PetroChina Co., Ltd.	China	Energy	1.6	0.9
TENCENT HOLDINGS LTD	China	Information Technology	1.5	0.7
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology	1.3	1.7

Portfolio Profile Characteristics

Profile Characteristics	Fund	Benchmark
Sector Deviation	5.00	0.00
Market Weighted Nlog	-0.42	0.00
Valuation Characteristics:		
Price/Earnings (excl negative earnings)	18.07	17.87
Dividend Yield (%)	2.45	2.58
Price/Book	2.19	2.06
EPS Growth (1Year Forecast)	12.05	13.86

	One Year		Three Years		Five Years	
	Fund	Average Manager	Fund	Average Manager	Fund	Average Manager
Tracking Error	3.7	8.0	3.4	7.6	2.9	6.6

* Manager Attribution Key	Relative Performance vs Fund Benchmark	Manager	Manager Specific Benchmark
++	>1.5%	Aberdeen Asset Management	MSCI AC Asia ex Japan Index
+	0.25% to 1.5%	Balanced Equity Management	MSCI Australia + NZ Composite Index
Flat	-0.25% to 0.25%	Congruix Investment Management	MSCI AC Asia Pacific ex Japan Index
-	-1.5% to -0.25%	Ignis Asset Management	MSCI AC Asia ex Japan Index
--	<-1.5%	MIR	MSCI AC Asia Pacific ex Japan Index

This material does not constitute an offer or invitation to anyone in any jurisdiction to invest in any Russell product or use any Russell services where such offer or invitation is not lawful, or in which the person making such offer or invitation is not qualified to do so; or to anyone to whom it is unlawful to make such offer or invitation, and has not been prepared in connection with any such offer or invitation. This material is not intended for distribution to retail clients. Unless otherwise specified, Russell is the source of all data. Unless otherwise specified, all information contained in this material is current at the time of issue and to the best of our knowledge all information presented is accurate, however this cannot be guaranteed. Any opinions expressed are those of Russell Investments Limited and not a statement of fact and they do not constitute investment advice and are subject to change.

The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. There is no guarantee that any target or projected figures will be met and this information is for illustrative purposes only. Any simulated figures and estimated figures are for illustrative purposes only. Any past performance figures are not necessarily a guide to future performance. Any reference to returns linked to currencies may increase or decrease as a result of currency fluctuations. Any references to tax treatments depend on the circumstances of the individual client and may be subject to change in the future.

Copyright © 2009 Russell Investments Limited
 Issued by Russell Investments Limited, Company No. 02086230. Registered in England and Wales with registered office at: Rex House, 10 Regent Street, London SW1Y 4PE. Telephone 020 7024 6000. Authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.
 All performance data is sourced from Russell Investments, Confluence, Bloomberg and FactSet. Data as at 25/1/10. Past performance is not necessarily a guide to future performance.