

# Continental European Equity Fund

## Performance Review

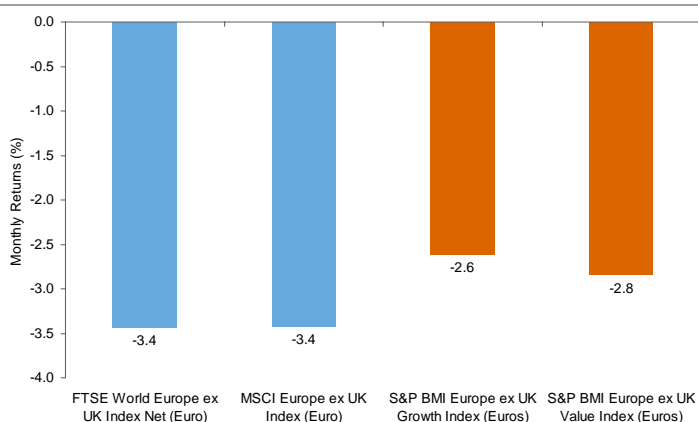
	One Month %	Three Months %	Year to Date %	One Year % <sup>1</sup>	Three Years %	Five Years %	Ten Years %	Since Inception % <sup>2</sup>
Continental European Equity Fund (USD) Gross of fees	-5.5	-0.9	-5.5	44.3	-8.4	3.8	3.2	8.2
FTSE World Europe ex-UK Index (USD) <sup>3</sup>	-6.4	-2.7	-6.4	44.6	-7.2	4.7	3.2	7.7
Continental European Equity Fund (RAND) Gross of fees	-3.2	-4.5	-3.2	6.7	-7.1	8.8	5.0	13.3
FTSE World Europe ex-UK Index (RAND)	-4.1	-6.3	-4.1	6.9	-6.0	9.8	5.1	12.8

<sup>1</sup> Returns greater than one year are annualised.

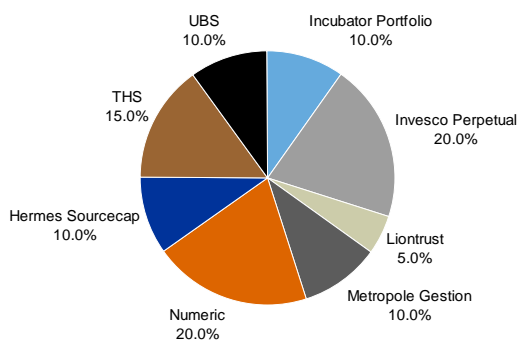
<sup>2</sup> Inception date 05/03/96. Performance is measured from 01/04/96. In order to enable accurate peer relative and total return benchmark relative performance comparisons, performance is calculated from the first full month following inception.

<sup>3</sup> 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



- The FTSE World Europe ex UK Index declined 3.4% in January, despite having reached fresh highs earlier in the month, as negative economic data weighed on performance. In particular, business lending data showed an accelerating contraction, the Purchasing Managers Index – an indicator of the economic health of the manufacturing sector – dropped for the first time after six months of rapid growth and concerns continued to surround Greece’s sovereign debt risk. At the sector level, financials and materials stocks were amongst the worst-performing. The financials sector declined after Barack Obama launched a series of initiatives to restrict what he called "excessive" bank risk-taking that led to the global downturn. Elsewhere, lingering concerns that China will move to tighten liquidity weighed on the materials sector. The technology sector was the best-performing, led by the world’s largest mobile phone manufacturer Nokia, which reported much better-than-expected 2009 performance. Meanwhile, growth stocks marginally outperformed value while small-caps strongly outperformed larger peers.



- The Fund outperformed its benchmark as all underlying managers performed well.
- Invesco was the best-performing manager, gaining from its underweight to, and stock selection in, the financials sector. The manager prefers financial stocks which it believes possess 'quality' characteristics, are attractively valued and offer good growth potential.
- UBS also performed particularly well. Despite the underperformance of its earnings momentum style, its preference for growth stocks benefited returns. Its holdings in the basic materials and industrials sector were the main positive contributors.

As at 31/01/2010

## Monthly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Hermes Sourcecap	Growth-oriented, accelerating income and cashflow	+	Hermes 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, benefited performance. Selection in the consumer service and oil & gas sectors enhanced returns.

## Monthly Manager Performance (continued)

Manager	Approach / Process	*Manager Performance	Russell Analysis
Incubator Portfolio	Allocation to new products	+	Although value stocks underperformed, DFA gained from its stock selection in the materials and consumer goods sectors. Its large valuation driven overweight to Philips Electronics was a notable positive.
Invesco Perpetual	Stock selection, mix of quality, growth and valuation	++	Both sector positioning and stock selection proved strongly positive for Invesco during the month. Its positioning in the health care sector and selection coupled with a favourable underweight to financials drove outperformance.
Liontrust	Quality of earnings / earnings surprise	++	Liontrust's stock selection in the financials sector, where it holds a small number of stocks which it believes have strong balance sheets, positively contributed. Its overweight to strong-performing consumer services stocks was also a notable positive.
Metropole Gestion	Value-oriented stock selection	Flat	The manager's stock selection in the consumer services sector and minimal exposure to the weak-performing utilities sector benefited performance. However, this was offset by its exposure to underperforming French and Italian banks - which it believes possess good management, are undervalued and offer greater earnings visibility than peers.
Numeric	Multi-factor quantitative model	+	Quant manager Numeric outperformed due primarily to its stock selection in the consumer goods sector. Within this sector, its holdings in the automobiles & parts industry were the largest positive contributors.
THS	Growth At a Reasonable Price	++	THS gained from its stock selection in the financials sector where it favours stocks which it believes possess strong balance sheets and offer good growth prospects. Its large overweight to strong-performing real estate company ANF was a notable positive.
UBS	Growth / Momentum	++	Stock selection within the basic materials sector drove performance. In particular, UBS benefited from its large overweight to industrial metals company Evraz as investors reacted positively to rumours that it may buy steel group ISD Corporation. The manager holds materials stocks that it believes can benefit from emerging market demand. Selection in the industrials and consumer goods sectors enhanced returns.

*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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