

RIC Emerging Markets Equity Fund

Performance Review

	Three Months %	Year to Date %	One Year % ¹	Three Years %	Five Years %	Ten Years %	Fifteen Years %	Since Inception % ²
RIC Emerging Markets Equity Fund (\$ Gross of Fees)	-21.3	-20.7	-14.9	8.4	6.6	18.2	8.0	8.1
RIC Emerging Markets Equity Fund (\$ Net of Class A Fees)	-21.6	-21.5	-16.1	6.9	5.0	16.4	6.4	6.7
RIC Emerging Market Equity Fund Benchmark (\$) ³	-22.4	-21.5	-15.7	6.5	5.1	16.9	7.8	7.2
Morningstar Median Manager (\$) ⁴	-22.4	-22.7	-17.3	4.1	2.5	14.1	5.9	5.4
Quartile Ranking	2	2	2	1	1	1	2	2
Fund Size \$ 3,476m								

¹ Returns greater than one year are annualised.

² Inception date 31/12/1994

³ Prior to 1st April 2011 the benchmark was MSCI EMF (Net), prior to 1st Jan 2009, it was gross. Prior to April 1999 it was ING Barings Extended EM Index. Between 04/1999 & 02/2003 the IFC Investable Index. The benchmark is currently the Russell Emerging Markets Net Index.

⁴ Morningstar Offshore & International Equity Global Emerging Mkts Universe

Market Performance

Overview

It was a weak quarter for emerging markets; the Russell Emerging Markets Index fell by 22.4%. Markets were volatile, with periods of good performance punctuated by aggressive sell-offs as macroeconomic events drove returns. The eurozone debt crisis refused to abate as concerns grew that Greece would default, and signs of deterioration in the US economy also weighed on markets.

Regionally, Europe fared worst, while smaller emerging markets outperformed larger emerging markets. With risk aversion high, large cap stocks performed better than their small cap counterparts, while defensive sectors held up better than pro-cyclical sectors.

A common theme over the quarter was the reaction of central banks to the negative global economic backdrop. Brazil cut interest rates, concerned for the slowing domestic economy while India raised rates again to fight inflation. Turkey's unorthodox monetary policy and significant current-account deficit unnerved investors and the market sold-off sharply. It recovered somewhat in September following an upgrade of the country's debt rating by Standard & Poor's. In Indonesia, India and South Korea, policy makers intervened to provide support for their currencies. Elsewhere, Russia underperformed as the oil price fell and economic growth slowed to 3.4%. China retreated on fears that the economy was heading for a 'hard landing'.

Fund Performance

Performance History(1)



(1) Performance is quoted gross of management fees.

Key Drivers

The Fund outperformed over the quarter, driven by a strong performance from Somerset, Harding Loevner and ArrowStreet. Returns were mainly driven by strong selection and underweight position to China, as the market grew increasingly concerned over the potential of a "hard landing" in the world's second largest economy. The key driver at sector level was positioning and successful selection within financial services and an underweight position to producer durables.

Manager Review

Manager	Approach / Process	Excess Return	Manager Performance
Genesis	Market - Oriented Bottom Up	2.2%	Genesis outperformed driven by strong positioning at the sector level and effective stock selection. The prominent driver to returns was a significant underweight to China as the country suffered on over the period. Strong selection in technology was also a key driver, in particular an overweight to chip maker Taiwan Semiconductor Manufacturing, as third quarter revenue was lifted by rush orders in August. A notable positive was provided by off benchmark exposure to oil & gas provider Tullow Oil, which rallied after announcing an oil discovery in offshore French Guiana.
Alliance Bernstein	Value	-1.6%	Bernstein underperformed the benchmark over the period due to its ineffective stock selection in India, Brazil and Poland. The struggling materials & processing sector was a prominent hindrance to returns, in particular an overweight to copper producer KGHM, whose share price declined on speculation that demand for the metal from China (its biggest buyer) would slow down. An underweight to the more defensive utilities sector dragged on returns. In contrast, an overweight and effective selection to Turkey offset some losses.
Arrowstreet Capital	Market - Oriented Quant	2.3%	Arrowstreet's strong performance was mainly driven by strong stock selection within China. Selection and a sizeable overweight to utilities proved beneficial as macro events drove investors towards more defensive stocks, notably telecom-related holdings such as Total Access Communication and China Unicom. The manager's overweight and selection in consumer staples also paid off, particularly with beverage company Ambev, whose share price rose as they met second quarter profits by passing on raw material costs to its customers.
Harding Loevner	Market - Oriented	2.4%	Harding Loevner's outperformance was driven by effective stock selection at a country and sector level. The manager's underweight and selection within China was beneficial and positive stock selection in Korea was also a key driver. At a sector level, selection within financials drove returns, notably Peruvian bank Credicorp, which rose over the period. The materials & processing sector provided significant gains, in particular an overweight to cement manufacturer Ambuja Cements, whose share price rose over the period as the companies shipments rose over the quarter and year-to-date.
UBS	Growth	-2.9%	UBS endured another difficult quarter, mainly driven by its ineffective stock selection. The manager's overweight and selection within China was detrimental as the country suffered on fears that the economy was heading for a 'hard landing'. Stock selection within the market was a greater detractor, largely attributed to stocks within materials and processing including pipe manufacturer China Liansu Group and cord manufacturer Xingda International after both companies missed analyst earnings forecasts.
Victoria 1522 Investments	Market - Oriented Thematic	0.8%	Victoria 1522 finished ahead of the benchmark, with returns driven by effective stock selection, particularly in Russia and Taiwan. Selection in Brazil and South Africa also proved positive. Strong selection within materials & processing was a key driver at sector level, in particular an underweight to Uralkali OAO, whose share price fell over the period as they were affected in the market turmoil and volatility in international commodity markets. Gains were also seen from selection within consumer staples, notably an overweight to Shoprite Holdings, as they beat analysts' earnings estimates.
Somerset Capital	Quality, Value	7.4%	Somerset finished its first complete quarter in the fund as the best-performing manager, driven primarily by its effective stock selection at both a country and sector level. Key contributors were strong selection within the larger markets of China, Taiwan and Russia. At a sector level producer durables added the most to returns, notably Petronet LNG, as very strong demand from Japan due to the March earthquake boosted the natural gas supplier.

Fund Statistics

Manager Weights	Characteristics	Fund	Benchmark
 <ul style="list-style-type: none"> ■ Genesis: 17.5% ■ Alliance Bernstein: 12.5% ■ Arrowstreet Capital: 22.5% ■ Harding Loevner: 20.0% ■ UBS: 12.5% ■ Victoria 1522 Investments: 7.5% ■ Somerset Capital: 7.5% 	Sector Deviation	5.44	--
	Market Cap Weighted Nlog	0.03	--
	Price/Earnings (excl negative earnings)	11.91	12.12
	Dividend Yield	2.31	2.57
	Price to Book	1.93	1.88
	EPS Growth (1 Year)	26.20	26.13
	Tracking Error	Fund	Average Manager
One Year	1.2	4.0	
Three Years	2.6	5.2	
Five Years	2.8	5.4	

Fund Analysis

Country Exposure ¹	Fund %	Benchmark %	Country Returns
Brazil	13.2	13.5	-26.1
Chile	1.4	1.8	-26.5
China	15.3	17.0	-26.4
Colombia	1.0	1.2	-13.5
Czech Republic	0.3	0.3	-23.5
Egypt	0.5	0.4	-20.5
Hungary	0.4	0.3	-44.4
India	5.4	8.1	-19.3
Indonesia	4.3	2.8	-11.6
Korea	13.9	13.3	-22.8
Malaysia	1.7	3.3	-17.4
Mexico	3.8	3.8	-20.7
Morocco	0	0.4	-4.9
Peru	0.7	0.4	-0.2
Philippines	1.2	0.9	-7.8
Poland	1.8	1.3	-33.5
Russia	7.9	7.4	-27.6
South Africa	8.5	7.4	-17.2
Taiwan	8.1	12.2	-19.5
Thailand	3.6	1.9	-12.3
Turkey	3.5	1.8	-18.5
United Arab Emirates	0.1	0.4	-12.8
Other	3.3	0	

¹ Sector Weights may not sum to 100% due to rounding.

Top Ten Holdings

Company Name	Fund%	Benchmark %	Country	Sector
Samsung Electronics Co., Ltd.	3.2	2.2	South Korea	Technology
GAZPROM OAO	2.5	1.4	Russia	Energy
Lukoil Holdings	2.0	1.0	Russia	Energy
Taiwan Semiconductor Manufacturing Co., Ltd.	1.9	1.4	Taiwan	Technology
Cia Vale do Rio Doce	1.9	1.9	Brazil	Materials & Processing
Cia de Bebidas das Americas	1.8	0.6	Brazil	Consumer Staples
China Mobile, Ltd.	1.6	1.3	Hong Kong	Utilities
Petroleo Brasileiro SA	1.4	2.0	Brazil	Energy
Hyundai Motor Co.	1.2	0.8	South Korea	Consumer Discretionary
MTN Group, Ltd.	1.1	0.8	South Africa	Utilities

This material is not intended for distribution to retail clients. 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, nor has it been prepared in connection with any such offer or invitation. Unless otherwise specified, Russell Investments is the source of all data. All information contained in this material is current at the time of issue and, to the best of our knowledge, accurate. Any opinion expressed is that of Russell Investments, is not a statement of fact, is subject to change and, unless it relates to a specified investment, does not constitute the regulated activity of "advising on investments" for the purposes of the Financial Services and Markets Act 2000.

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.

Any forecast, projection or target is indicative only and not guaranteed in any way. 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 © 2011 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.

Datasource - © 2010 Morningstar, Inc All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may be copied and distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.