

RIC Pacific Basin Equity Fund

Performance Review

	Three Months %	Year to Date %	One Year % ¹	Three Years %	Five Years %	Ten Years %	Fifteen Years %	Since Inception % ²
RIC Pacific Basin Equity Fund (\$ Gross of Fees)	-20.2	-19.0	-12.1	9.8	5.0	15.0	6.8	7.4
RIC Pacific Basin Equity Fund (\$ Net of Class A Fees)	-20.5	-19.8	-13.1	8.5	3.8	13.6	5.5	6.2
RIC Pacific Basin Equity Fund Benchmark (\$) ³	-21.0	-19.4	-13.3	8.3	4.9	14.3	4.8	5.2
Morningstar Median Manager (\$) ⁴	-20.6	-19.6	-13.0	6.4	3.9	12.8	3.8	5.2
Quartile Ranking	2	3	3	2	3	2	1	1
Fund Size \$ 467m								

¹ Returns greater than one year are annualised.

² Inception date 30/06/1995

³ Prior to 1st April 2011 the benchmark was MSCI AC Asia Pac ex Japan, prior to 5th October 2005 it was MSCI AC Pac ex Japan. The benchmark is currently the Russell Asia Pacific ex Japan Net Index.

⁴ Morningstar Offshore & International Equity Asia Pacific ex Japan Universe

Manager Performance

Overview

The Russell Asia Pacific ex Japan Index fell 21.0% during the quarter as market volatility spiked sharply higher in the wake of escalating European sovereign debt concerns and doubts about the sustainability of the US recovery. Greece remained the focal point of Europe's ongoing debt woes amid speculation the country may yet default, though significant doubts were also raised over the solvency of 'core' European nations such as Spain and Italy. In the US, softer jobs and manufacturing data suggested growth in the world's largest economy may have stalled while investor sentiment was further impacted by Standard & Poor's decision to cut its US government debt rating to AA+. Asian exporters were among the hardest hit over the quarter due to their substantial exposure to the troubled US and European markets. However, the news over the period wasn't all bad. China's economy expanded by a better-than-expected 9.5% in the year to 30 June 2011, growth in Singapore exceeded market expectations in the second quarter, and a number of Chinese companies recorded strong first-half earnings results. Whilst the majority of sectors traded lower over the quarter, it was those sectors tied the most to global growth that were among the worst performers, including materials and energy.

Fund Performance

Performance History(1)



(1) Performance is quoted gross of management fees.

Key Drivers

The Fund outperformed the benchmark over the September quarter, driven in part by strong stock selection in China and South Korea. Overweight holdings in China Mobile and China Petroleum & Chemical Corp. were among the key drivers of performance. China Mobile rose after first-half earnings beat analysts' expectations while China Petroleum & Chemical benefited from news it plans to ramp up its search for shale gas resources. At the sector level, the Fund benefited from an overweight exposure to telecommunication services and strong stock picking within consumer staples, including overweight holdings in Dairy Farm International and Unilever Indonesia.

Manager Review

Manager	Approach / Process	Excess Return	Russell Analysis
Balanced Equity Management	Contrarian approach based on sum of the parts through cycle valuations	0.8%	Specialist Australian shares manager BEM was modestly flat over the quarter. Negative stock selection within the industrials sector weighed the most on the manager's performance, including an overweight holding in Qantas. Qantas fell to a record low as the company clashed with unions over its decision to axe 1,000 jobs. Also impacting performance was an overweight exposure to Lend Lease, which weakened after a major broker downgraded its target price for the company.
Aberdeen Asset Management	Fundamental analysis with a strong focus on valuation and quality	7.1%	Aberdeen outperformed over the quarter, once again benefiting from its quality bias in the face of rising global market volatility. The manager was also rewarded for its long-term underweight in China and positive stock picking within the country. Among the key contributors to returns were overweight holdings in China Mobile and Singapore Telecommunications. China Mobile, the world's biggest phone carrier by subscribers, rose strongly following better-than-expected first-half earnings numbers while Singapore Telecommunications benefited in part from the company's defensive qualities.
Havenport	Thematic driven approach, focusing on growth opportunities	-5.2%	Havenport underperformed over the period as the manager's social housing and shipbuilding themes went unrewarded. China State Construction International Holdings lost almost 50% on expectations that building demand will weaken should officials introduce further monetary tightening measures, while Daewoo Shipbuilding & Marine Engineering fell sharply as Korea's shipbuilders continued to struggle due to global growth concerns.
MIR	Combination of quantitative and qualitative approaches	-0.2%	MIR finished broadly in line with the benchmark over the quarter. Contributing to the manager's performance was strong stock selection in China and Thailand, including overweight holdings in China Petroleum & Chemical Corp. and Advanced Info Service. China Petroleum & Chemical, Asia's biggest refiner, benefited from news it will collaborate with overseas companies to increase its search for shale gas resources while Advanced Info Service, Thailand's biggest mobile phone company, rallied amid speculation new telecommunication licenses will increase the company's earnings.
TT International	Top Down	-0.1%	TT performed in line with the benchmark over the quarter. Strong stock selection in Thailand and India was offset by negative stock selection in Singapore. At the stock level, overweight holdings in China Mobile and E Ink Holdings were among the best performers over the period. China Mobile gained on better-than-expected first-half earnings while E Ink rose following a strong jump in June quarter sales.
CouplandCardiff	Growth / Momentum	3.8%	Coupland outperformed over the quarter, driven in part by strong stock selection in South Korea and an underweight exposure to China. At the stock level, overweight holdings in LG Household & Health Care and Power Assets Holdings were among the key contributors to performance. LG Household rose after several investment houses raised their target price for the company while Power Assets gained after posting record first-half earnings.
RIS	China Completion Portfolio	-6.2%	Russell's Implementation Services team (RIS) uses an optimised China completion portfolio. This strategy is reducing our structural negative exposure to China and brings the overall fund country allocation closer to our ideal allocation based on our outlook for the country.

Fund Statistics

Manager Weights	Characteristics	Fund	Benchmark
 <ul style="list-style-type: none"> ■ Balanced Equity Management: 13.5% ■ Aberdeen Asset Management: 21.5% ■ Havenport: 18.0% ■ MIR: 15.0% ■ TT International: 18.0% ■ CouplandCardiff: 12.0% ■ RIS: 2.0% 	Sector Deviation	4.96	--
	Market Cap Weighted Nlog	-0.45	--
	Price/Earnings (excl negative earnings)	12.41	13.27
	Dividend Yield	2.88	2.79
	Price to Book	1.94	2.00
	EPS Growth (1 Year)	35.71	29.29
	Tracking Error	Fund	Average Manager
One Year	1.6	5.3	
Three Years	2.6	6.6	
Five Years	2.8	6.9	

Fund Analysis

Country Exposure ¹	Fund %	Benchmark %	Country Returns
Australia	21.2	22.5	-20.3
China	15.8	16.4	-26.9
Hong Kong	12.9	8.6	-21.3
India	8.4	8.6	-19.6
Indonesia	1.9	3.0	-11.5
Korea	12.3	14.7	-22.8
Malaysia	3.7	3.7	-17.3
New Zealand	0.1	0.7	-7.6
Philippines	0.9	1.0	-7.7
Singapore	9.3	5.4	-18.0
Taiwan	8.6	13.4	-18.9
Thailand	3.5	2.0	-12.2
Other	1.4	0.0	

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

Top Ten Holdings

Company Name	Fund %	Benchmark %	Country	Sector
China Mobile, Ltd.	2.7	1.4	Hong Kong	Telecommunication Services
BHP Billiton, Ltd.	2.5	3.0	Australia	Materials
Samsung Electronics Co., Ltd.	2.4	2.5	South Korea	Information Technology
Westpac Banking Corp.	2.3	1.6	Australia	Financials
PetroChina Co., Ltd.	1.6	0.7	China	Energy
Taiwan Semiconductor Manufacturing Co., Ltd.	1.6	1.5	Taiwan	Information Technology
Australia & New Zealand Banking Group, Ltd.	1.5	1.4	Australia	Financials
Swire Pacific, Ltd.	1.4	0.3	Hong Kong	Financials
OVERSEA-CHINESE BANKING CORP LTD	1.3	0.5	Singapore	Financials
National Australia Bank, Ltd.	1.2	1.3	Australia	Financials

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.