

RIC US Small Cap Equity Fund

Performance Review

	Three Months %	Year to Date %	One Year % ¹	Three Years %	Five Years %	Ten Years %	Since Inception % ²
RIC US Small Cap Equity Fund (\$ Gross of fees)	-20.9	-14.0	0.8	2.7	0.7	6.8	6.6
RIC US Small Cap Equity Fund (\$ Net of A fees)	-21.1	-14.6	-0.3	1.6	-0.4	5.7	5.4
Russell 2500 Index Net (\$) ³	-21.3	-15.1	-2.6	1.8	-0.2	6.6	6.0
Morningstar Median Manager (\$) ⁴	-21.1	-15.6	-2.4	1.9	-0.3	6.1	5.4
Quartile Ranking	3	2	2	3	3	3	2
Fund Size \$ 200m							

¹ Returns greater than one year are annualised.

² Inception date 16/06/1997

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

⁴ Morningstar Offshore & International Smaller Companies N America Universe

Market Performance

Overview

A string of dismal economic data releases and survey readings led to renewed fears of a double-dip recession in the US and weighed heavily on share prices. As a result, the Russell 2500 Index fell by 21.3% on the quarter, its fourth-worst quarter of performance in its more than 33 year of history. Sentiment was also undermined by the political wrangling over raising the US debt ceiling, after which rating agency Standard & Poor's cut America's credit rating from AAA to AA+. The US economy's apparent inability to create jobs took centre stage, prompting President Obama to outline a package of tax cuts and new spending designed to cut unemployment. In common with other developed markets, the US banking sector came under pressure, as worries mounted that a double-dip recession would result in a second wave of mortgage delinquencies. Bank of America fell particularly sharply due to a \$10bn lawsuit filed by AIG alleging a 'massive' mortgage fraud. But shares in the troubled lender rallied sharply after Warren Buffett showed his backing for the company by investing \$5bn. Takeover activity was, however, supportive. Google announced the biggest takeover deal in its brief history by buying mobile phone producer Motorola Mobility for \$12.5bn. During the quarter, the more defensively-aligned utilities, consumer staples and health care sectors were the best performers and the more cyclically-oriented materials and processing and producer durables sectors fared worst.

Fund Performance

Performance History (1)



(1) Performance is quoted gross of management fees.

Key Drivers

The Fund finished ahead of the benchmark over the quarter, with performance driven by the portfolios selection within the more defensive health care sector (Catalyst Health Solutions, HMS, SXC Health Solutions, Alexion Pharmaceuticals), as investors fearful of the potential for a US recession rotated into defensive assets. In contrast, gains were pared back by stock selection in financials and an overweight and selection in technology.

Manager Review

Manager	Approach / Process	Excess Return	Russell Analysis
Next Century Growth Investors	Growth	-1.6%	Next Century struggled with an unfavourable market environment. The manager's overweight exposure to risk negatively impacted stock selection, which was negative across the majority of sectors. Selection within technology was the largest detractor, where the exposure to higher forecasted earnings growth, more cyclical companies was most pronounced. In addition, a number of holdings declined sharply on lower than expected earnings guidance as investors punished stocks with fundamental disappointments.
Integrity	Value	-1.0%	Integrity underperformed the benchmark over the quarter. Stock selection and an overweight to technology (Avid Technology) was the largest detractor of performance. Selection within the materials & processing (TMS International) and the energy sectors (Pioneer Drilling, Basic Energy Services) also hindered returns. Paring back some losses was an overweight and selection to the more defensive consumer staples sector (TreeHouse Foods), as investors moved away from risk over the period.
ClariVest	Market - Oriented	-1.5%	Clarivest struggled with a mixed environment during the quarter due to the dominance of macro driven events and the large shift in investors risk appetite and expectations surrounding the US economic outlook. Consequently, stock selection was negative and accounted for the majority of the manager's underperformance. Selection in producer durables was the largest detractor, driven by selection and exposure to industrials that declined on lower investor sentiment. Sector exposures also negatively contributed to performance, as an overweight exposure to cyclical sectors was penalised by investors increased risk aversion.
DePrince, Race & Zollo Inc.	Value	2.6%	DePrince benefited from their focus on dividend yield and defensive positioning, as investors fled riskier assets in search of more defensive holdings. The manager's stock selection was positive across the majority of sectors, particularly in consumer discretionary, driven by the manager's specialty retail holdings. Bebe stores in particular, was beneficial to performance as the stock outperformed after it upwardly revised earnings its outlook. The manager's positive performance was somewhat inhibited by negative sectors exposures, in particular an underweight exposure to utilities.
Buckhead	Value	-3.6%	Buckhead were penalised for their overweight exposure to risk during the quarter, which acted as a large detractor to performance. Consequently stock selection was negative across the majority of sectors, with selection in consumer discretionary the largest detractor, in particular an overweight to Meritor as the stock declined sharply on lower than expected earnings guidance. In addition, sector exposures also detracted from performance, with the Fund's underweight exposure to utilities and overweight exposure to producer durables the largest detractors.
Summit Creek Advisors	Growth	4.7%	Summit Creek benefited from a higher quality and sustainable growth approach, as investors became fearful for the growth prospects of firms in a recessionary environment. The manager's stock selection accounted for the majority of outperformance. Selection in producer durables was the largest contributor, driven by Advisory Board who positively surprised the market by raising earnings guidance. Elsewhere, an underweight exposure to the commodity sectors of energy and materials & processing were rewarded.

Fund Statistics

Manager Weights	Characteristics	Fund	Benchmark
<ul style="list-style-type: none"> Next Century Growth Investors: 18.0% Integrity: 16.0% ClariVest: 20.0% DePrince, Race & Zollo Inc.: 16.0% Buckhead: 12.0% Summit Creek Advisors: 18.0% 	Sector Deviation	8.35	--
	Market Cap Weighted Nlog	-0.24	--
	Price/Earnings (excl negative earnings)	20.05	18.72
	Dividend Yield	1.23	1.27
	Price to Book	2.12	2.06
	EPS Growth (1 Year)	29.22	20.02
	Tracking Error	Fund	Average Manager
	One Year	2.5	4.4
	Three Years	2.5	7.3
	Five Years	3.0	8.2

Fund Analysis

Sector Exposure ¹	Fund %	Benchmark %	Sector Returns
Consumer Discretionary	15.2	14.6	-22.5
Consumer Staples	3.6	3.4	-10.0
Energy	3.6	5.7	-31.4
Financial Services	17.0	22.5	-18.0
Health Care	11.9	11.0	-18.8
Materials & Processing	7.5	8.0	-25.6
Producer Durables	18.3	14.4	-24.1
Technology	18.1	13.0	-24.0
Utilities	4.9	7.4	-9.1

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

Top Ten Holdings

Company Name	Fund %	Benchmark %	Country	Sector
HealthExtras, Inc.	1.4	0.1	United States	Health Care
Advisory Board Co. (The)	1.3	0.0	United States	Producer Durables
SXC Health Solutions Corp.	1.0	0.2	United States	Health Care
ANSYS, Inc.	1.0	0.2	United States	Technology
HMS HOLDINGS CORP	1.0	0.1	United States	Health Care
ULTIMATE SOFTWARE GROUP INC	0.9	0.1	United States	Technology
EZCORP INC (CL A)	0.9	0.1	United States	Financial Services
EXLSERVICE HOLDINGS INC	0.8	0.0	United States	Producer Durables
BJ'S RESTAURANTS INC	0.8	0.0	United States	Consumer Discretionary
HITTITE MICROWAVE CORP	0.8	0.1	United States	Technology

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