

RIC Global Bond Fund

Performance Review

	Three Months %	Year to Date %	One Year % ¹	Three Years %	Five Years %	Ten Years %	Fifteen Years %	Since Inception% ²
RIC Global Bond Fund (\$ Gross of Fees)	1.2	6.3	6.3	10.5	7.4	7.7	5.9	6.5
RIC Global Bond Fund (\$ Net of Class A Fees)	1.0	5.5	5.5	9.7	6.6	6.9	5.1	5.7
Global Bond Fund Benchmark (\$) ³	0.2	5.6	5.6	6.0	6.5	7.2	5.5	6.1
Morningstar Median Manager (\$) ⁴	0.1	1.6	1.6	6.7	5.1	7.1	4.9	5.7
Quartile Ranking	2	1	1	2	1	3	2	3
Fund Size \$ 1,565m								

¹ Returns greater than one year are annualised.

² Inception date 30/09/1994

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

⁴ Morningstar Offshore & International Fixed Income Global USD Based Universe

Market Performance

Overview

The Barclays Capital Global Aggregate Bond Index (unhedged) returned 0.23% in the fourth quarter. The period started positively as risk appetite improved on expectations and an announcement of a European debt accord, spurring investors out of higher quality government bonds and cash into riskier spread sectors. EU leaders unveiled a plan in which private-sector bondholders would accept a 50% 'haircut' on their Greek debt, the European Financial Stability Facility bailout fund would be leveraged from €440bn to €1trn, and banks would increase their Tier 1 capital ratios to a more solid 9%. Returns in November retracted as investors' appetite for risk declined. A surprise 25bp rate cut by the ECB occurred; indicating that new president Mario Draghi may begin having the central bank take a more active role in the crisis. The failure of the US 'super committee' to reach an agreement on the balance between tax rises and spending cuts was negative, echoing European politicians' seeming inability to achieve coordinated fiscal policy. In late November, Germany's bund auction failed, amplifying investor woes and accelerating the selloff. Bond markets rebounded in December, with riskier spread sectors outperforming. Corporate spreads tightened in the early part of the month in anticipation of positive news from the 9 December EU summit. Though the 8 December ECB surprise announcement to provide banks unlimited funding for three-years at 1% was viewed as positive, spreads widened somewhat mid-month because the EU summit did not yield any material announcements. Spreads tightened again during the last week of the month as banks borrowed much more than expected under the new ECB facility (EUR500 bn versus EUR300 bn), taking down risks of a European Lehman-like event.

Fund Performance

Performance History(1)



(1) Performance is quoted gross of management fees.

Key Drivers

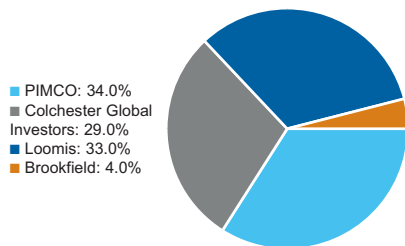
The Fund finished comfortably ahead of the benchmark over the period, driven by Loomis and PIMCO. The key driver was sector positioning, notably overweights to investment-grade industrials and riskier corporate high yield, as investor confidence was boosted over the period. Country and rates positioning in the form of overweights to German bunds and UK gilts was a strong secondary driver. Currency was also beneficial via short positions in the euro, Czech koruna and Swiss franc plus longs in the New Zealand dollar and Singapore dollar, though these were offset to a degree by an overweight to the Polish zloty and an underweight to the Australian dollar.

Manager Review

Manager	Approach / Process	Excess Return	Russell Analysis
PIMCO	Sector Specialist	1.9%	PIMCO finished the quarter as the best-performer, outperforming the benchmark due to its interest rate and sector positioning. The key drivers to performance were the manager's overweight to IG credit (industrials and financials) plus overweights in high yield, UK gilts and German bunds. Elsewhere, long positions in the Korean won and the New Zealand dollar coupled with a short position in the euro were beneficial, the latter was particularly good as the currency struggled on the continuing euro zone sovereign debt crisis.
Colchester Global Investors	Macro Value	-0.5%	Colchester lagged the benchmark and its peers over the quarter. The manager's overweight to Ireland and underweight to the US proved unfavourable as investors fled peripheral Europe for the perceived safe haven of US debt amid the euro zone volatility. From a currency perspective, gains seen from short positions to the Czech koruna, Hungarian forint and Swiss franc were offset by short positions to the Australian, Canadian and New Zealand dollars coupled with a long position to the Polish Zloty. As Colchester is a government bond specialist, its lack of exposure to credit was also a drag on quarterly performance.
Loomis	Security Selection	1.6%	Loomis enjoyed strong gains over the quarter with much of its strength derived from effective market sector positioning, particularly an overweight to and security selection within investment-grade industrials plus exposure to high yield, as investors moved back to more risky assets over the period. The manager's short position to the euro went rewarded, as the currency struggled over the month on continued eurozone market turmoil; overweights to the Singapore dollar and Malaysian ringgit were also additive. At the country level, an overweight position to Australian rates was also beneficial on market expectations of further rate cuts.
Brookfield	Sector Specialist	-0.4%	Mortgage sector specialist Brookfield lagged the benchmark over the period. Gains achieved through the manager's exposure to commercial mortgage-backed securities (CMBS) were offset by positions in non-agency residential mortgage-backed securities.

Fund Statistics

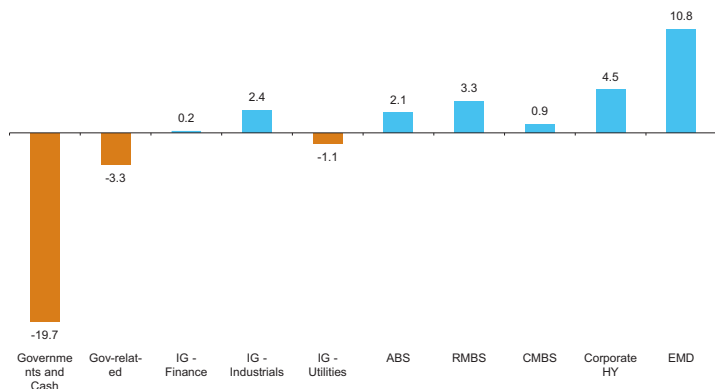
Manager Weights



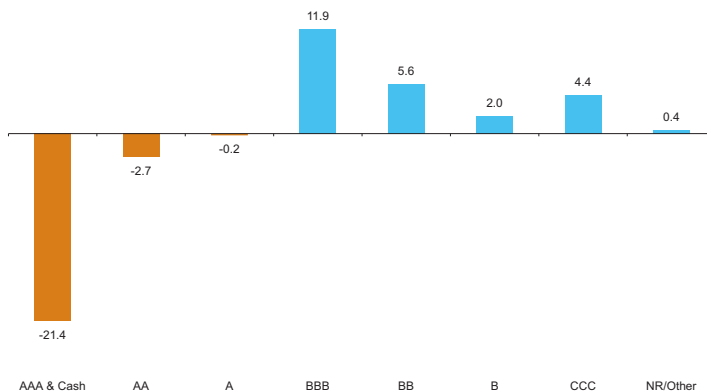
Characteristics	Fund	Benchmark
Effective Duration	6.1	5.8
Yield to Maturity	4.7	2.5
Average Credit Rating	A1	Aa2
Average Maturity (Years)	7.9	7.4
Tracking Error	Fund	Average Manager
One Year	1.6	7.1
Three Years	2.4	7.6
Five Years	2.7	7.7

Fund Analysis

Bond Market Sector (Relative Exposure)



Credit Rating (Relative Exposure)



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