

# RIC US Small Cap Equity Fund

## Performance Review

	Three Months %	Year to Date %	One Year % <sup>1</sup>	Three Years %	Five Years %	Ten Years %	Since Inception % <sup>2</sup>
RIC US Small Cap Equity Fund (\$ Gross of fees)	15.7	-0.4	-0.4	19.2	2.1	6.4	7.6
RIC US Small Cap Equity Fund (\$ Net of A fees)	15.4	-1.5	-1.5	18.0	1.0	5.2	6.3
Russell 2500 Index Net (\$) <sup>3</sup>	14.4	-2.9	-2.9	17.9	0.8	6.1	6.9
Morningstar Median Manager (\$) <sup>4</sup>	14.6	-4.5	-4.5	18.5	0.3	5.5	6.0
Quartile Ranking	2	2	2	3	2	3	1
Fund Size \$ 213m							

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

<sup>2</sup> Inception date 16/06/1997

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

<sup>4</sup> Morningstar Offshore & International Smaller Companies N America Universe

## Market Performance

### Overview

The fourth quarter saw equity markets perform strongly, with the Russell 2500 Index appreciating 14.4%. However much of this performance came during October when the equity market rallied sharply as investor confidence increased on better-than-expected economic data, which suggested the US would avoid another recession, and the improving outlook for a resolution to the European debt crisis. November saw enthusiasm wane resulting in a turbulent month for equity markets. Investors became increasingly worried about the implications of the proposed solution to the European debt crisis, with concerns the deal was insufficient to prevent the ongoing debt contagion, which was spreading from the "peripheral" euro countries to the core. These fears were realised by the rapid increase in Italian bond yields, which rose above 7%, and by a weak German bond auction. The failure to stem the continuing eurozone crisis caused equity markets to fall sharply throughout much of November. However in response to news of a coordinated monetary easing from the European Central Bank and the central banks of the U.S, Canada, Switzerland, Japan, the U.K, and by the announcement that China was cutting bank reserve requirement ratios, equity markets rallied strongly in the last week of the month on hopes that coordinated policy decisions could stimulate global economic growth. December was a more stable month as investors prepared for the Christmas period and trading volumes declined. While economic data was positive, with better-than-expected unemployment numbers and home starts and declining inflation, the market responded mutely. The factor environment for the quarter was dominated by October and as a result higher risk stocks (Beta, earnings variability or leverage) outperformed. The preference for risk was reflected in sector performance, with cyclical sectors, led by energy, outperforming.

## Fund Performance

### Performance History (1)



(1) Performance is quoted gross of management fees.

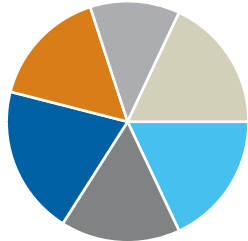
### Key Drivers

The Fund enjoyed a strong performance over quarter four of 2011, led by Integrity and DePrince. It was a relatively neutral environment, with returns driven by positive stock selection. The largest contributor at stock level was selection within technology, in particular its semiconductor holdings. Sector exposures were also a small positive contributor to performance, with the fund benefiting from an overweight exposure to producer durables and an underweight to utilities.

## Manager Review

Manager	Approach / Process	Excess Return	Russell Analysis
Next Century Growth Investors	Growth	0.8%	Next Century outperformed its benchmark over the period. Positive returns were driven by effective sector exposures. Stock selection was mixed, with an effective overweight allocation and selection in the producer durables (FARO Technologies, Kansas City Southern, Chicago Bridge & Iron) sector adding the most to returns. Selection within technology (Ultimate Software, Bankrate, Concur Technologies) was also positive. However these gains were offset by weak stock selection within the consumer discretionary (HomeAway, Crocs) and materials & processing (Polypore International) sectors.
Integrity	Value	4.0%	Helped by an overweight exposure to beta and earnings variability Integrity significantly outperformed through positive stock selection. Stock selection was positive across the majority of sectors, with selection in energy and producer durables accounting the largest portion of the manager's performance. Kodiak Oil & Gas, which rallied after a successful capital raise, and Greenbrier Companies, which rebounded after sharp sell-off in Q3 on better than expected guidance, were the two largest stock contributors.
ClariVest	Market - Oriented	0.9%	Clarivest benefited from a favourable environment, with an overweight exposure to valuation factors (such as book-to-price and earnings yield) and beta both significantly rewarded. This provided large benefits to the manager's stock selection, which was positive and accounted for the majority of its outperformance. Selection in the consumer discretionary sector was the largest contributor to performance, notably an overweight allocation to auto parts producer Standard Motor Products, whose shares climbed after the company reported its third-quarter earnings which beat analyst estimates.
DePrince, Race & Zollo Inc.	Value	0.9%	DePrince's outperformance was driven by its effective stock selection and positioning within the materials & processing sector. Within the latter, an overweight position to cement producer Eagle Materials was the most beneficial, as the company's shares rose after increasing their quarterly sales. Additionally, exposure to steel and metal manufacturer Commercial Metals went rewarded, as the company rose after stakeholder Carl Icahan announced his nomination of three directors to the board. Elsewhere, strong stock selection within consumer discretionary added, in particular media and marketing provider Meredith, as its shares climbed after analysts gave an 'overweight' rating to the company.
Buckhead	Value	-1.3%	Buckhead underperformed over the quarter. While it was a mixed environment for the manager, performance was driven almost entirely by stock specific factors and in particular one stock: American Greetings, which fell 31% during the quarter on European sales worries and weaker than expected earnings. In contrast, sector exposures contributed positively to returns, with an overweight exposure to producer durables and underweight exposure to utilities the largest contributors.
Summit Creek Advisors	Growth	0.3%	Growth manager Summit Creek was marginally ahead of the benchmark over the period, as it was hurt by ineffective positioning and an underweight exposure to risk which detracted from stock selection, as risk was rewarded over the quarter. Selection within the health care sector proved unfavourable, in particular an overweight to Bio-Reference Laboratories, as the company's shares dropped after their third-quarter income decline 4.1% year-on-year. The manager's underweight allocation to the energy sector also weighed on returns.

Fund Statistics

Manager Weights	Characteristics	Fund	Benchmark
 <ul style="list-style-type: none"> <li>■ Next Century Growth Investors: 18.0%</li> <li>■ Integrity: 16.0%</li> <li>■ ClariVest: 20.0%</li> <li>■ DePrince, Race &amp; Zollo Inc.: 16.0%</li> <li>■ Buckhead: 12.0%</li> <li>■ Summit Creek Advisors: 18.0%</li> </ul>	Sector Deviation	9.31	--
	Market Cap Weighted Nlog	-0.27	--
	Price/Earnings (excl negative earnings)	16.63	14.79
	Dividend Yield	1.58	1.68
	Price to Book	1.66	1.58
	EPS Growth (1 Year)	24.34	18.23
	Tracking Error	Fund	Average Manager
One Year	2.6	5.1	
Three Years	2.5	7.0	
Five Years	3.1	7.9	

Fund Analysis

Sector Exposure <sup>1</sup>	Fund %	Benchmark %	Sector Returns
Consumer Discretionary	15.5	14.6	14.5
Consumer Staples	2.4	3.3	10.1
Energy	4.0	6.1	23.7
Financial Services	17.5	23.0	14.8
Health Care	11.4	10.5	11.3
Materials & Processing	7.4	8.1	16.0
Producer Durables	19.0	15.0	19.4
Technology	19.3	12.5	10.4
Utilities	3.4	7.0	9.5

<sup>1</sup> Sector Weights may not sum to 100% due to rounding.

Top Ten Holdings

Company Name	Fund %	Benchmark %	Country	Sector
Advisory Board Co. (The)	1.5	0.0	United States	Producer Durables
HMS HOLDINGS CORP	1.5	0.1	United States	Health Care
SXC Health Solutions Corp.	1.2	0.1	United States	Health Care
HealthExtras, Inc.	1.1	0.1	United States	Health Care
ANSYS, Inc.	1.0	0.2	United States	Technology
ULTIMATE SOFTWARE GROUP INC	0.9	0.1	United States	Technology
EXLSERVICE HOLDINGS INC	0.8	0.0	United States	Producer Durables
Jones Apparel Group, Inc.	0.8	0.0	United States	Consumer Discretionary
LKQ CORP	0.8	0.2	United States	Consumer Discretionary
DEALERTRACK HOLDINGS INC	0.8	0.0	United States	Technology

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