

Launched
31 May 2000

Currency
GBP

Annual Management Charge
1.00%

Benchmark
FTSE Gilt 0-5yr Index

Unit Price
1.3890

Fund size
27,561,059.57

Asset Manager
Russell Investments

Description

Invest directly and principally in short dated UK bonds.

Investment Policy

Aims to outperform index by 0.3pa over a 3 yr rolling period.

Investor Profile

The fund will have a lower relative-risk compared to other UK Bond Funds and will take positions consistent with its performance objective.

Manager Commentary

The FTSE All Stocks British Government Over 15 Years Index enjoyed a strong quarter, driven by increased risk aversion as consumer confidence waned and speculation grew over the outlook for the UK's "tentative" economic recovery. The Index gained 6.4% over the period, and outperformed shorter-dated securities. Demand for these assets was highlighted by an £8bn auction of a new 30-year bond through banks, the country's biggest syndicated sale ever, as investors sought the safety of government securities.

UK gilts strengthened on fears of a potential "double-dip" recession amid speculation that the new coalition government's severe emergency budget could restrain growth as well as cut the deficit. That said, UK government assets have outperformed European counterparts (including the bund) since the election on 6th May, as investors have in general reacted favourably to the new government's more aggressive stance on cutting the deficit. UK assets have also benefited from being "outside the eurozone".

Elsewhere, the majority of government bond markets have responded well to a period of increased risk aversion, notably US Treasuries and German bunds, after the sovereign debt crisis boosted demand for the safest of assets.

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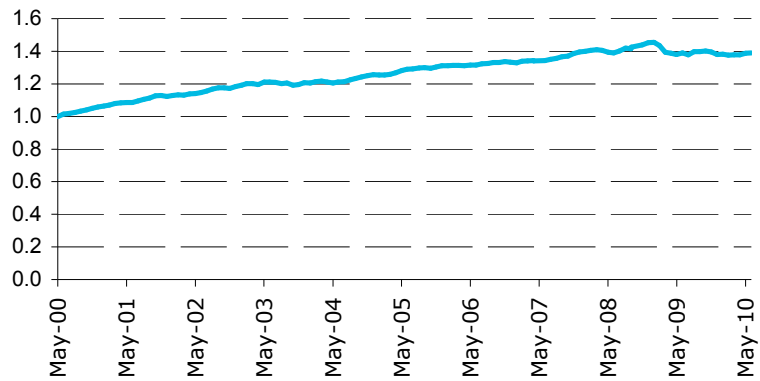


Short Term Bond Fund

Quarterly Report

30 June 2010

Performance Graph



Total return percentage, indexed to launch date.

Performance figures

Year to date	0.58%
1 month	0.07%
3 months	0.80%
6 months	0.58%
1 year	0.00%
2 years	0.00%
3 years	3.50%
5 years	7.76%
Since Launch	38.90%

Figures in pounds sterling on a bid-to-bid basis with gross income reinvested to 30 June 2010.

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