

Launched
31 March 2000

Currency
GBP

Annual Management Charge
1.00%

Benchmark
Salomon Bros. World Govt. Bond

Unit Price
2.0400

Fund size
3,972,000.82

Asset Manager
Russell Investments

Description

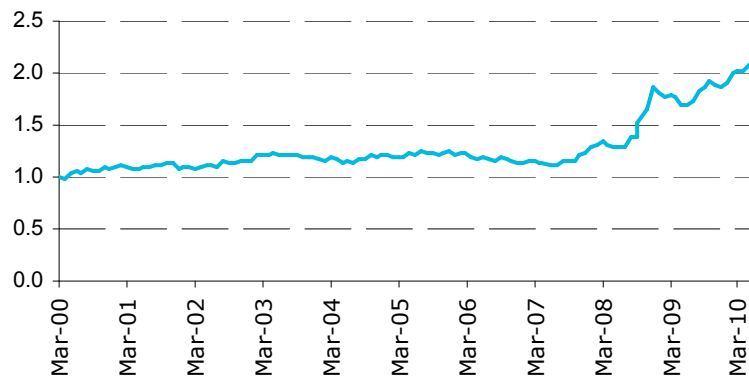
Invests in a range of fixed interest vehicles and corporate bonds from around the world, but focuses primarily on European and US bonds. This fund is designed for a more cautious investor who wants some exposure to international markets.

Investor Profile

Below Average Risk relative to our range. The underlying investments of funds in the "Below Average" category will generally experience some volatility but the movements will not be large. They endeavour to provide longer-term prospects for real growth, achieved in most cases through a combination of asset types.

Performance

Performance Graph



Total return percentage, indexed to launch date.

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Global Bond Fund

Quarterly Report

30 June 2010

Performance figures

Year to date	9.15%
1 month	-2.06%
3 months	1.44%
6 months	9.15%
1 year	20.78%
2 years	58.63%
3 years	84.12%
5 years	67.08%
Since Launch	104.00%

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

Manager Commentary

The Barclays Capital Global Aggregate Index finished flat over the period in USD unhedged terms after risk aversion escalated significantly, to the benefit of the dollar but the detriment of non-government assets. In hedged terms, the Index gained 2.3%, emphasising the sustained flight to safer assets.

The majority of the period was dominated by the sovereign debt crisis in Europe, amid fears that uncoordinated policy responses could undermine economic recovery. Later in the quarter, investors began focusing on evidence of a slowdown in the US and Chinese economies as the situation in Europe appeared to ease. This slowdown, combined with the imposition of swingeing austerity measures in Europe - as a number of the Continent's governments tried to drive down debts and deficits - sparked renewed concerns over the sustainability of economic recovery.

Credit markets faltered as corporate bond sales fell to the lowest in a decade and issuance levels plummeted. Borrowing costs reached their highest levels in ten months, while spreads widened at their most rapid rate since the collapse of Lehman Brothers in September 2008. High-yield bonds underperformed government assets markedly as spreads hit their widest levels in a year and issuance slowed sharply from the record pace of the first quarter. In emerging markets, spreads widened very sharply in May (63 basis points) as risk aversion escalated, but were broadly flat thereafter, ending the quarter at 3.24% over US Treasuries.

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The majority of government bond markets have responded well, notably German government bonds, after the sovereign debt crisis boosted demand for the safest of assets. However, bonds of the troubled peripheral euro area nations saw yields rise; e.g. 10-year Spanish yields rose from 3.82% to 4.56% over the quarter. Elsewhere, US Treasury yields fell below 3% for the first time in 14 months late in June on persistent worries over the potential spread of contagion from the eurozone and concerns the US may be heading for a double-dip recession. In the UK, gilts strengthened amid fears that the new coalition government's severe and ambitious emergency budget would restrain growth as well as cut the deficit.

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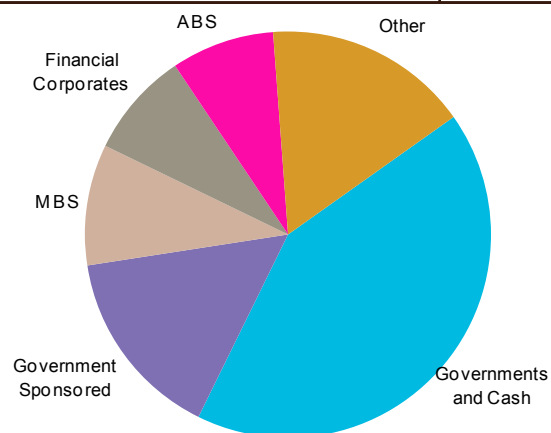
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Asset Allocation

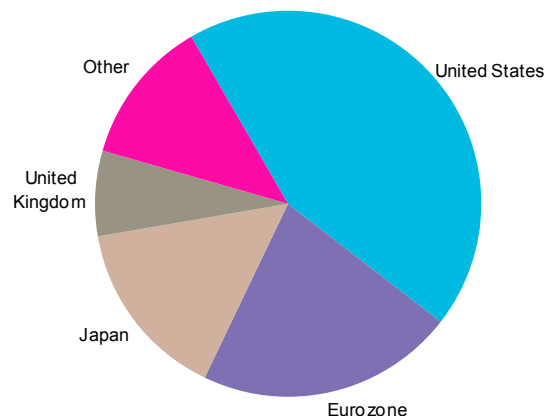
Sectoral allocation

Fixed-Interest by Sector	% of Fund
Governments and Cash	41.99
Government Sponsored	15.26
MBS	9.71
Financial Corporates	8.43
ABS	8.24
Other	16.37



Geographic allocation

Fixed Interest by Region	% of Fund
United States	43.87
Eurozone	21.46
Japan	15.31
United Kingdom	7.24
Other	12.12



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