

**Launched**  
26 June 1995

**Currency**  
GBP

**Annual Management Charge**  
1.00%

**Benchmark**  
50% FT All Stocks Gilt Index + 50% Iboxx Sterling Non-Gilt All Stocks Index

**Unit Price**  
2.4570

**Fund size**  
21,073,858.00

**Asset Manager**  
Russell Investments

## Description

Fund of funds investing in sector funds which invest directly in 'gilt-edged' securities, UK investment grade bonds and high yield bonds of all durations.

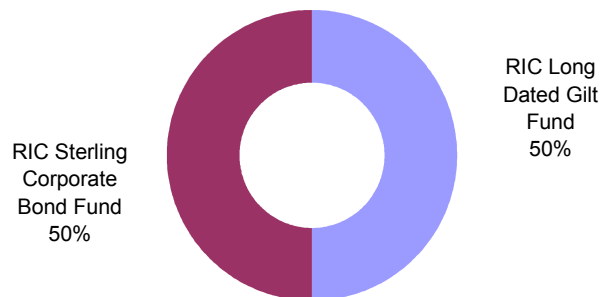
## Investment Policy

Aims to return above average performance (second quartile over 3 year rolling periods) in the Lipper Offshore UK Fixed Interest - Sterling sector.

## Investor Profile

The fund will have an average relative-risk compared to the average fund within the UK Fixed Interest - Sterling Offshore sector.

## Fund Allocation



## The RIC Long Dated Gilt Fund

The RIC Long Dated Gilt Fund will invest in long dated U.K. government transferable debt instruments denominated in Sterling. The Fund will attempt to replicate as closely as possible the composition and return pattern of the FTSE Actuaries Government Securities U.K. Gilts Over 15 Years Index, which is an index of fixed interest Sterling denominated British government transferable debt instruments, measured

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# The UK Fixed Interest Fund

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over at least a three year period. No exposure to other fixed income securities or other asset classes is permitted. This ensures that the fund represents a pure exposure to long dated gilts from an asset allocation perspective.

### **The RIC Sterling Corporate Bond Fund**

The RIC Sterling Corporate Bond Fund will invest primarily in Sterling denominated non-government debt instruments that are listed, traded or dealt in on a Regulated Market in the OECD which may have fixed and floating interest rates. At least two-thirds of the assets of the Fund will be invested in transferable debt instruments. No more than one third of the assets of the Fund will be invested in money market instruments including, but not limited to, Tbills, certificates of deposit, commercial paper, banker's acceptances and letters of credit, whose maturity or interest rate reset period does not exceed 397 days. Investors should note that the Fund may also invest in transferable debt instruments with non-investment grade ratings or in unrated instruments which are deemed to be of comparable quality. The Fund will not invest more than 30% of its assets in noninvestment grade instruments.

The Fund employs a risk-controlled approach to fixed income investing. The Fund invests primarily in non-government Sterling denominated fixed income securities. The Fund provides an ideal vehicle for an investor's exposure to UK corporate bonds. The main sources of out-performance versus the benchmark are expected to be sector allocation and security selection, and to a lesser extent duration management, yield curve positioning and investment in overseas bonds.

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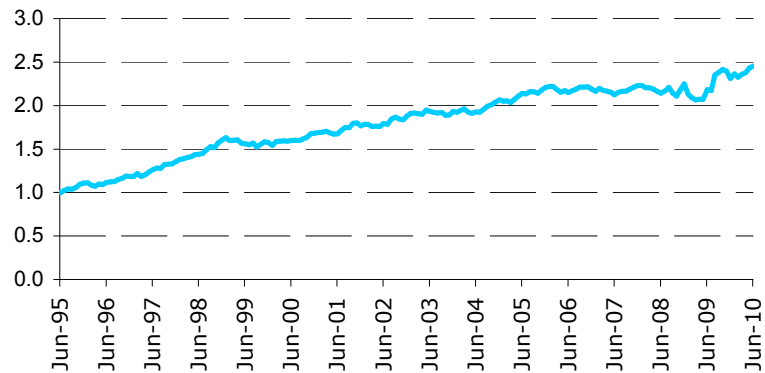
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### Performance

#### Performance Graph



Total return percentage, indexed to launch date.

#### Performance figures

Year to date	6.23%
1 month	0.99%
3 months	4.11%
6 months	6.23%
1 year	12.50%
2 years	14.71%
3 years	15.62%
5 years	14.97%
Since Launch	145.70%

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

#### Manager Commentary

UK corporate bonds advanced over the quarter, with the Bank of America Merrill Lynch Sterling Non-Gilts 10+ Index gaining 3.0% in sterling terms, after risk aversion escalated significantly, to the benefit of the dollar but the detriment of non-government 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. Concerns that the contagion could spread saw Europe's financial institutions grow increasingly wary of lending to each other, restricting liquidity and complicating the European Central Bank's withdrawal of its stimulus measures.

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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 in May, 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, issuance slowed sharply from the record pace of the first quarter and sales fell to a 15-month low in June.

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. The majority of government bond markets have responded well, notably US Treasuries and German bunds, after the sovereign debt crisis boosted demand for the safest of assets.

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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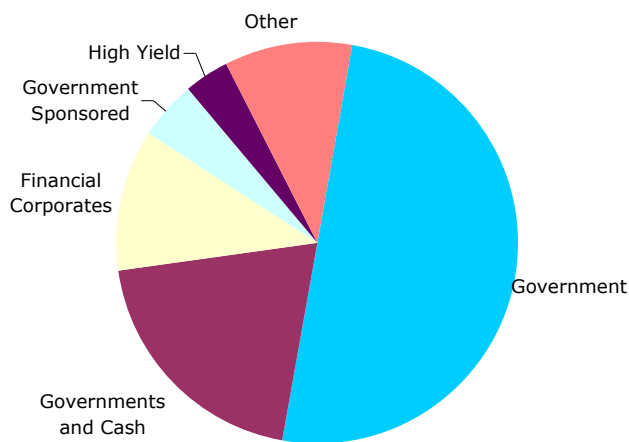
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## Asset Allocation

### Sectoral allocation

Fixed-Interest by Sector	% of Fund
Government	50.00
Governments and Cash	19.92
Financial Corporates	11.44
Government Sponsored	4.78
High Yield	3.67
Other	10.20



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