

Launched
26 June 1995

Currency
GBP

Annual Management Charge
1.00%

Benchmark
Median fund in the Lipper Distribution funds Life sector.

Unit Price
1.8810

Fund size
39,406,829.79

Asset Manager
Russell Investments

Description

Mainstream distribution fund providing competitive distributions and long term capital growth. Invests in UK equities, targeting a dividend yield greater than the FT All-Share, and Sterling denominated fixed interest securities. The fund may also, on occasion, invest internationally.

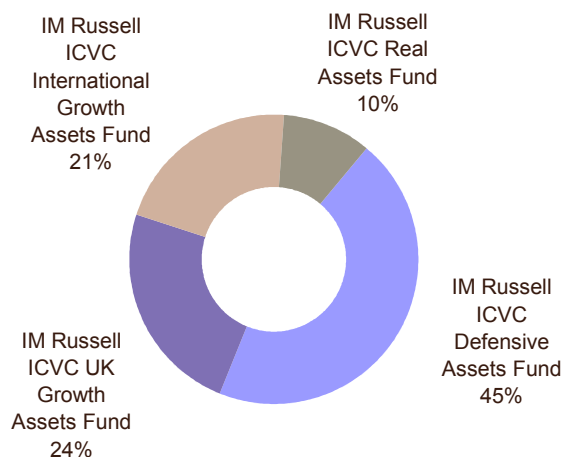
Investment Policy

Aims to return above average potential performance (upper second quartile over three year rolling periods) in the Lipper survey of Life Distribution funds.

Investor Profile

The fund will have an average relative-risk compared to the average fund within the Distribution sector and will take positions consistent with its performance objective. Stock selection and asset allocation will both contribute to the risk profile.

Fund Allocation



IM Russell ICVC Defensive Assets Fund

The IM Russell ICVC Defensive Assets Fund ("Fund") invests across a range of lower risk asset classes. The investment manager of the Fund is Russell Investments

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Limited. Whilst it is intended that the Fund be predominantly made up of cash and bond funds, it may also include other lower volatility funds managed by Russell Investments such as the Absolute Return Equity Fund and the Active Currency Fund. The Absolute Return Equity Fund captures the performance of Russell Investment's preferred advisers, but with the underlying market volatility largely removed. The Active Currency Fund gives access to international cash and foreign exchange returns. Diversification across defensive assets means that a moderate degree of additional risk can be taken within certain sectors such as corporate bonds in order to enhance returns, but without compromising the stability and efficiency of the overall portfolio. The Fund is hedged back to sterling cushioning the impact of exchange rate volatility.

IM Russell ICVC UK Growth Assets Fund

The IM Russell ICVC UK Growth Assets Fund ("Fund") aims to offer investors access to UK growth assets, predominantly equities. The investment manager of the fund, Russell Investments Limited, will be advised by multiple UK equity specialists that it selects. These investment advisers aim to find some of the best opportunities available in the UK and can pick stocks from any company or sector and are not limited to benchmark weights. Russell Investments will then seek to implement the investments in the most efficient way possible.

IM Russell ICVC International Growth Assets Fund

The IM Russell ICVC International Growth Assets Fund ("Fund") aims to offer investors access to international growth assets, predominantly equities. The investment manager of the Fund, Russell Investments Limited, will be advised by multiple international equity specialists that it selects. Russell Investments will also delegate investment management of a portion of the portfolio to one discretionary investment manager. The investment advisers and discretionary manager aim to find some of the best investment opportunities available outside of the UK. They can pick stocks from any company or sector and are not limited to benchmark weights within a single country or region. Russell Investments seeks to implement the investments in the most efficient way

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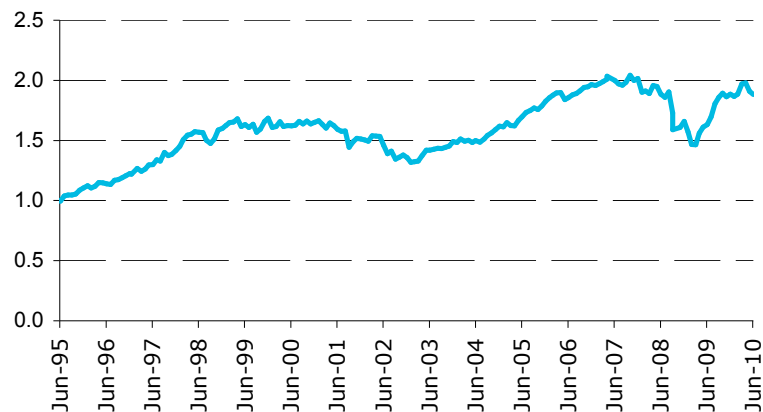
possible. The Fund is hedged back to sterling, cushioning the impact of exchange rate volatility.

IM Russell ICVC Real Assets Fund

The IM Russell ICVC Real Assets Fund ("Fund") aims to provide exposure to a diversified portfolio of asset classes that are directly or indirectly linked to physical assets, or to assets that the investment manager of the fund, Russell Investments Limited, believes have a tendency to maintain their real (after inflation) value over time. Real assets include commodities (metals, oil, agricultural produce, etc), property companies, infrastructure companies (those operating physical assets such as roads and power networks) and UK inflation-linked bonds. The Fund has higher expected return and higher risk than that of bonds or cash but lower than that of equities, given its well balanced and complementary spread of investments. The Fund is hedged back to sterling, cushioning the impact of exchange rate volatility.

Performance

Performance Graph



Total return percentage, indexed to launch date.

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Performance figures

Year to date	-0.16%
1 month	-1.47%
3 months	-4.47%
6 months	-0.16%
1 year	15.26%
2 years	-0.21%
3 years	-5.90%
5 years	10.91%
Since Launch	88.10%

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

Manager Commentary

The FTSE All-Share Index declined 11.8% over the quarter, which included a 6.6% drop in May, its worst monthly loss since February 2009. Markets fell on concerns that the debt crisis in Europe was intensifying and that the apparent lack of coordination in subsequent policy responses would have a detrimental impact on the global economic recovery. June was also a difficult month, despite suggestions that the sovereign debt crisis in Europe was easing, after investors began focusing on evidence of a softening in the US and Chinese economies. This evidence, when combined with a swathe of austerity measures in Europe, saw global equity markets test new lows for the year. UK consumer confidence waned amid speculation over the potential for a "double-dip" recession following the deep spending cuts that characterised the new coalition government's emergency budget. The oil & gas and basic materials sectors were the worst performers, but all of the sectors finished in negative territory.

The Russell Developed Large Cap ex-UK Index GBP Hedged Index lost 10.7% over a volatile quarter, as global equities fell sharply, particularly in May after risk appetite evaporated. Having focused on the crisis in the eurozone for much of the period, investors became concerned by governmental moves in China to prevent the economy from overheating. These appear to have been successful to date, domestically at least, with growth being revised downwards. However, when combined with a swathe of austerity measures in Europe and disappointing data in the US, this slowdown saw global equity markets test new lows for the year. Europe was the worst-performing region, notably among the

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distressed Southern countries, but the US market also sold off heavily. Asia outperformed in relative terms despite concerns over industrial production and demand for commodities.

Global bonds finished flat over the second quarter 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, but later in the quarter investors began focusing on evidence of a slowdown in the US and Chinese economies. This slowdown, combined with the imposition of swingeing austerity measures in Europe, sparked renewed concerns over the sustainability of economic recovery. Global equities fell sharply, particularly in May, after risk appetite evaporated. Having focused on the crisis in the eurozone for much of the period, investors became concerned by governmental moves in China to prevent the economy from overheating. These appear to have been successful to date, domestically at least, with growth being revised downwards. Investor sentiment became more fragile over the quarter, as worries continued that the sovereign debt problems in Southern Europe and the fiscal retrenchment now underway in some countries could lead to a 'double-dip' with the global economy falling back into recession. Equity markets were volatile throughout, but fixed income markets fared better with government bonds rallying on the back of the sustained flight to quality.

Markets for many listed real assets experienced sharp declines over the second quarter, as the 'flash crash' that sent global equity markets into double digit declines impacted broad investor risk tolerance. The sluggishness of the US economic recovery, concerted efforts to slow down Chinese growth and lingering concerns over European financial health all contributed to what was an unusually weak period, with the fund declining 5.4% after fees. Nevertheless, the fund fared somewhat better than equity markets and held on to its positive since inception gains. During the period, we reduced our holding in the fund's commodity ETF and purchased the Credit Suisse Nova fund in order to gain exposure to the active management potential of one of our most highly rated commodity managers. Overall, however, we somewhat reduced the fund's exposure to commodities in light of the potential impact of a temporary period of slower growth in China, an important commodity consumer. Outside of commodities, our managers generated losses in these declining markets, but generally out-performed

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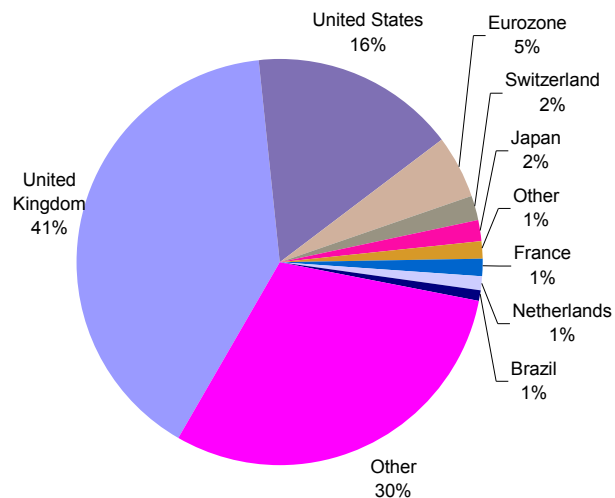
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their respective benchmarks. All of the fund's listed infrastructure and commercial property funds were ahead of their benchmarks. In particular, CBRE's focus on higher quality property assets left them 1.2% ahead of the market.

Asset Allocation

Geographic allocation

Country	% of Fund
United Kingdom	40.12
United States	16.23
Eurozone	4.92
Switzerland	2.00
Japan	1.65
Other	1.47
France	1.37
Netherlands	1.10
Brazil	0.97
Other	30.17



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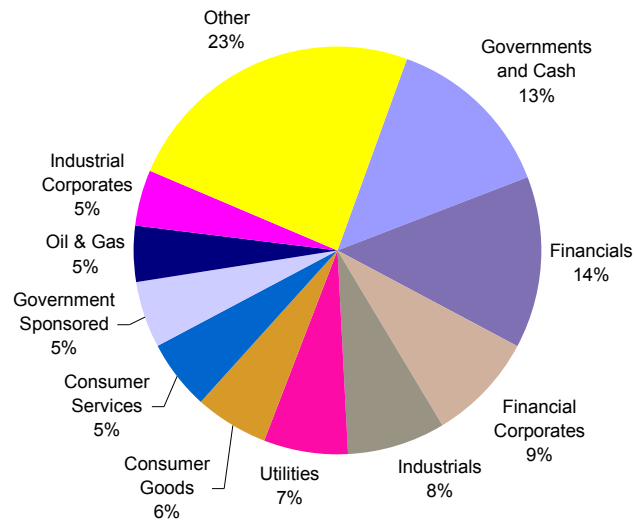
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Sectoral allocation

Sector	% of Fund
Governments and Cash	13.66
Financials	13.57
Financial Corporates	8.68
Industrials	7.72
Utilities	6.65
Consumer Goods	5.83
Consumer Services	5.44
Government Sponsored	5.31
Oil & Gas	4.59
Industrial Corporates	4.52
Other	24.04



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