

Sub-fund of Irish domiciled open-ended investment company

Fund owner: Traditional Funds plc

Fund manager/adviser: Nevsky Capital

Named portfolio manager/adviser(s):

Martin Taylor (since launch), Nicholas Barnes (since October 2006)

Peer group: emerging markets EMEA

Location: London

Launch date: October 2000

Fund size (May 2011): US\$740m

Contact group: +353 1 542 2216 or www.nevskycapital.com

Further information on S&P's fund coverage can be found at www.FundsInsights.com



Report date August 2011

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Performance statistics

	Three years
Fund	11.0%
Standard & Poor's peer median	-12.8%
Index**	-8.5%
Fund rank	28/388

Note: returns are cumulative

Three-year risk characteristics

Maximum monthly drawdown (%)	-31.2
Volatility	42.0
Correlation	0.9
Beta	0.9

Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2011 Lipper Inc. All rights reserved. All statistical data on this report has been run to 29 April 2011 on NAV to NAV basis, with gross income reinvested, in USD.

Standard & Poor's opinion (July 2011)

Following the transfer of the Thames River Global Emerging Markets Fund from Nevsky to F&C, the Nevsky team now focuses on just two products - the Nevsky GEM hedge fund and this long-only product, a total of \$1.5bn. The team appears to be enjoying working on fewer products. This has not gone unnoticed in the marketplace with substantial inflows into this fund. Over the past 12 months it has grown from \$429m to \$740m and the team has decided to soft close the fund making it available only to existing investors and platforms.

The team remains strong both in terms of numbers and experience, as well as stable. Directly involved are Martin Taylor and Nicholas Barnes as fund managers, as well as two economists, and six sector analysts. The investment process remains consistent and focuses on detailed coverage with proprietary models on about 75 large- and mid-cap companies, meaning that there is plenty of time per company for the analysts. The resultant portfolio comprises 25-40 holdings and may include RTS index futures to gain additional large-cap Russian exposure without breaking Ucits 5/10/40 rules.

Uncharacteristically, the performance was below-median in calendar 2010, chiefly a result of reducing the fund's exposure to Turkey too early. However, over the past 10 calendar years the fund has only lagged the S&P EMEA peer group twice and on both those occasions it was behind by under 50bps. The strong track record from a stable, committed and experienced team enables the fund to retain its S&P AAA rating.

Fund manager & team

The Nevsky Capital team for Eastern Europe comprises CIO Martin Taylor, fund manager Nick Barnes and six sector analysts. The Eastern Europe team is managing a total of over \$700m in this portfolio and over \$800m in Nevsky Global Equities. The team includes:

Martin Taylor - history (Cambridge), joined Barings in 1994 where he worked on Eastern European and GEM funds, joining Thames River in 2000.

Nicholas Barnes - economics (London School of Economics), worked for six years at Barings on the emerging markets team. He joined Thames River in 2001.

Management style

The active team-driven style is based on fundamental research of countries and companies aiming to add value through a combination of top-down and bottom-up views.

Countries and stocks are assessed on seven criteria: growth, liquidity, asset strength, currency, management quality, valuation and technical factors. Results are compared with consensus forecasts to identify pricing inefficiencies and to test potential risk.

Stock selection focuses on quality mid- and large-cap companies with good growth prospects, strong cashflow and preferably a growing dividend. The focus is on those stocks with at least \$2m daily trading volume. This results in about 75 companies in the EMEA region that are covered in detail by the team.

The portfolio is typically invested in 25-40 names. Individual stocks have a 10% upper limit, much less for smaller companies. Deviations from the MSCI Emerging Europe index can reach 20%. Sales are disciplined and turnover can be high.

Currency is hedged on occasion. Index futures (generally up to 15% of assets) can be used to increase the exposure to large index Russian stocks without having to buy lower-quality, less-liquid names. Cash is typically around 5%.

TRADITIONAL FUNDS - EASTERN EUROPEAN FUND

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Portfolio & performance analysis (May 2011)

Over the past 12 months the fund has received strong inflows, growing from \$429m to \$740m. As a result, the team decided to soft close the fund in April 2011, meaning that only existing customers and platforms may access the fund. The team would consider hard closure at \$1bn.

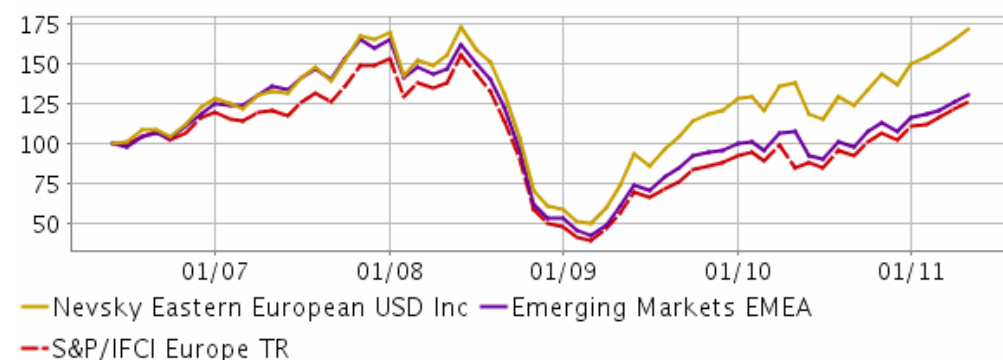
The team has become more positive on the oil price and as a result is more upbeat on Russia at the expense of Turkey, which is 4% underweight the benchmark. Russian exposure includes a 14% index future on the RTS index bought to obtain large-cap exposure without breaching Ucits regulations. Within Russia, themes include energy, banks (Sberbank on stock-specific grounds) and telcos. No direct consumer stocks are held on valuation grounds, with exposure through banks and telcos. All the CE3 countries are expected to benefit from German growth, with Hungarian stocks favoured over Polish ones on valuation grounds. 3% is held in cash due to concerns about the global macro outlook.

The fund has an exceptionally strong track record, outperforming the sector median in most calendar years since launch in 2000. There were two exceptions, in 2007 and in 2010, and in both years the fund was only marginally behind. Outperformance has come from sound stock selection in large liquid companies.

In 2008, reducing Russian steel and oil and moving into Turkey helped returns. In 2009, the fund benefited from a timely switch from Turkey to Russia, which was one of the best markets from March onwards.

In 2010, the fund marginally lagged both the peer group and its benchmark principally by being too early in reducing the fund's exposure to Turkey. In addition, the fund had a couple of stock disappointments in a 5% position in Vimpelcom and from OTP. In the first four months of 2011 relative performance has bounced back, helped by being underweight Turkey and from good selection including New World Resources.

Cumulative performance



Discrete performance (calendar years)

	2007		2008		2009		2010		YTD 29-04-11	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	31.8	166/321	-65.1	104/389	117.5	36/430	16.4	234/445	15.0	85/451
Index**	28.8		-68.5		90.7		19.9		14.4	
Median	32.0		-67.9		85.0		16.8		11.8	

** S&P/IFCI Europe TR

Fund benchmark: MSCI Emerging Europe index

Share class screened: IE0009751193 (Ord)

STANDARD & POOR'S



Portfolio characteristics (1 May 2011)

No. of holdings	38
Turnover ratio (%)	98
% in top 10	59

Top 10 holdings

Company	%
Gazprom *	9.9
Sberbank *	9.7
OTP Bank	8.0
KGHM Polska Miedz	6.2
Lukoil *	6.2
Mobile Telesystems (ADR)	4.8
Norilsk Nickel (ADR) *	4.8
Türkiye Is Bankasi *	3.6
Rosneft *	3.1
Türkiye Garanti Bankasi *	2.7

* In top 10 holdings a year ago

Country allocation

Country	%
Central Asian Republics	1.7
Czech Republic	3.7
Hungary	10.4
Poland	11.3
Russia	61.6
Turkey	8.8
Cash	2.5

Sector allocation

Sector	%
Basic materials	13.7
Energy	29.5
Financials	28.3
Healthcare	0.5
Index future	13.5
Telecommunications	8.4
Utilities	3.6
Cash	2.5

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Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

Absolute return fund ratings

Specialist fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

Long-term fund management rating LTFMR The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.