

PORTFOLIO MANAGER COMMENTARY

The fund returned 5% (in US dollar terms) for the quarter, against 7.7% from the benchmark MSCI World Index. For a rolling 12-month period, the fund's return of -7.6% is lagging the benchmark return of -5.0%.

The quarter was again dominated by the ongoing European sovereign debt crisis. The new governments in Greece, Spain and Italy provided impetus to fiscal austerity in those countries, but an attempt to create greater fiscal unity within Europe was struck down by a British veto, and an agreement between the other 26 nations appears increasingly uncertain. Globally the crisis weighed heavily on sentiment and markets, however economic data from the US is moving in the right direction and is expected to improve in 2012, an election year.

In terms of regional equity performance, North America was the best performing region over the quarter, rising a strong 11.1%. Japan performed the worst, falling 3.9% (in US dollar terms), while Asia ex-Japan and Europe rose by 6.0% and 5.5% respectively (in US dollar terms). The fund's regional positioning had a significant negative impact on overall performance over this period.

The managers were also a significant detraction from overall performance. After a poor final quarter of 2011, Cantillon Global sacrificed some of their exceptional performance delivered in the third quarter of the year. Despite strong relative performance to its benchmark, the Coronation Global Emerging Markets Fund also had a negative impact on our fund's performance. Morant Wright Japan had a weak three-month period, finishing well behind their benchmark.

Vulcan Value Partners, however, comfortably beat the MSCI World Index with a return of 12% for the quarter.

During the 3-month period, we redeemed the Edinburgh Partners Europe Fund.

Outlook

2011 was a tough year for active, valuation-driven managers such as those with whom we place capital. With market volatility at extreme levels and short-term momentum dominating stock prices, our managers were unable to generate their historical levels of return. However, equity markets remain attractively priced and we are confident that our managers will provide good returns once some semblance of normality returns. This may not happen in the short to medium term as Europe continues to resolve its crisis, but there are some signs that conditions are improving, particularly in the US.

Portfolio manager

Tony Gibson