



How the Fund Works

The Indexed AAA Bond Fund is a passively managed fund, which invests entirely in long-dated AAA rated Eurozone securities. These securities are effectively loans to governments with repayment dates of ten years or more. The fund's objective is to match the Merrill Lynch EMU Government Index >10 year AAA index. The aim is to eliminate manager selection risk, which is the risk of being with an investment manager who under performs.

This fund should broadly follow the long-term changes in annuity prices due to interest rates i.e. if long-term interest rates fall, the value of this fund will increase to roughly compensate for the rise in annuity prices. Long-term interest rates are just one of the main factors that determine the cost of an annuity. However, there will be times when the fund will not track annuity prices closely and no guarantee can be given in relation to such movements.

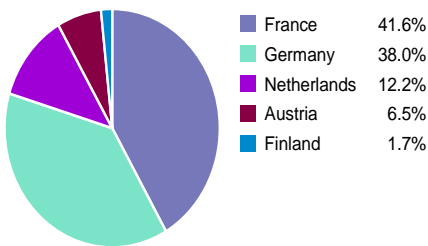
Investment Risk



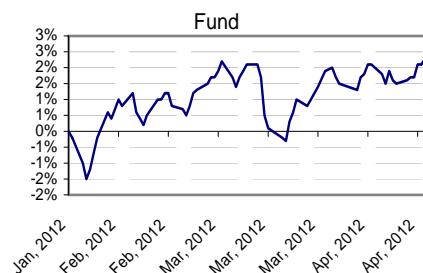
This is a medium risk fund which can have some level of volatility. The potential return from the fund will also be medium. It is suitable for investors who will accept some level of risk.

Warning: The value of your investment may go down as well as up.

Country Distribution



Performance



Year	Return	Benchmark
1 Month	0.7%	0.7%
QTD	0.7%	0.7%

These returns are based on a standard annual management charge of 0.65%. Management charges may vary.

The return of this fund since launch (23rd January 2012) is 3.6% p.a.

Warning: Past Performance is not a reliable guide to future performance.

Warning: This fund may be affected by changes in currency exchange rates.

Market Commentary

A month with a significant amount of political news led to a surprisingly quiet month in the bond markets. The slow grind of flight to quality continued with 10 year German yields tightening from 1.79% to 1.66%. The Netherlands got dragged into the spotlight with the collapse of its government and questions over its economic growth & austerity policies. The French presidential election continues with a second round vote featuring Hollande & Sarkozy. The incumbent is lagging significantly in the polls and there is significant risk to the outlook for France given the policies proposed by Hollande. Spain and Italy remain under pressure as the effects of the ECB's LTRO wear off on the markets. Wider economic data shows new jobs data in the US behind expectations and the leading indicators in Europe are still negative. The politics of austerity will continue to dominate the immediate outlook.

This fund may engage in securities lending to earn returns.

