



How the Fund Works

The Indexed European Equity Fund is a passively managed fund which aims to track the FTSE® Europe (excluding UK) Index. The fund is designed to achieve average European equity fund returns on a consistent basis, eliminating manager selection risk.

This fund is 100% invested in European equities. The amount invested in each company is based on the weighting of that company within the market as a whole. If, for example, Total Fina is 4% of the market, this fund will be 4% invested in Total Fina.

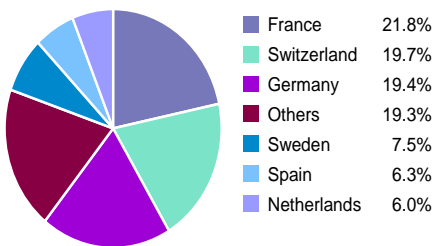
Investment Risk



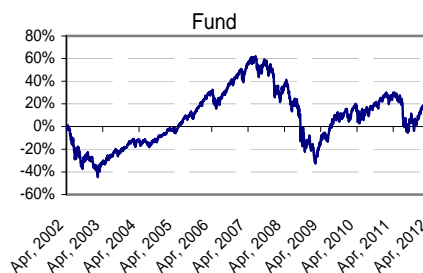
This is a very high risk fund which can have a very high level of volatility. Therefore it may not be suitable for investors who have less than 13 years to retirement. The fund is most suitable for long term investment.

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

Country Distribution



Performance



Year	Return	Benchmark
2012 YTD	6.0%	6.4%
1 Year	-13.1%	-12.5%
3 Year %p.a.	8.8%	9.6%
5 Year %p.a.	-6.2%	-5.6%
10 Year %p.a.	1.2%	1.9%

These returns are based on a standard annual management charge of 0.65%. Management charges may vary. **The return of this fund since launch (18th October 1996) is 5.4% 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

Business confidence in April has confirmed that the recession in the Eurozone is likely to continue into the first quarter. The peripheral countries continue to show the strongest deterioration. Elsewhere bank lending has remained weak and although the free fall that was seen in the second half of 2011 has been halted, the economies in Europe are being choked by a lack of credit. This weak economic outlook for these regions is weighing on the fiscal outlook. Already in April the Italian government lower its growth forecast for 2012 and increased its fiscal deficit target to 0.5% of GDP for 2013 from 0.1%. The uncertain fiscal stance as well as rising bond yields in Spain and Italy will lead to further challenges for the remainder of 2012. On the other hand, there are continued signs that the German economy is recovering, particularly the domestic economy. Employment rose in Germany again in March and is now at the highest level since unification.

This fund may engage in securities lending to earn returns.





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The above refers to references to FSTE benchmarks throughout this document.

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