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IM Russell ICVC Defensive Assets Fund

Performance Review¹

	One Month %	Three Months %	Year to Date %	Since Inception %
IM Russell ICVC Defensive Assets Fund (Class C Fees) ²	0.5	0.8	1.6	2.8
Bank of England Base Rate	0.0	0.1	0.5	0.5

Source: Russell/Confluence, in UK sterling terms, net of fees, Data as at 31/12/2011

¹ These funds are priced at 7:00am each morning where as the benchmark is priced at close of business each day. For benchmark comparable analytical purposes therefore the NAV have been artificially moved to the previous working day.

² This quarterly performance review is now based on class C fees (-1.6% for the fourth quarter of 2010). Prior to June 2010, the report was based on class A fees (1.4% for the previous quarter).

Quarterly Fund Comment

The last quarter of 2011 continued in a similar vein to much of the year, with asset prices moving dramatically on concerns of sovereign solvency and geo-political will. Investors finished the year with more confidence and more reassurance that a disaster scenario would be avoided. Part of this confidence came from the concerted will shown by policy makers with further easing being provided by the Bank of England and also more widely, by the European Central Bank's (ECB) surprise announcement to provide investment banks unlimited funding for 3 years at attractive rates. This action reduced perceived risks in the more beaten down asset classes, but also benefited Defensive Assets. Many of these newly created ECB funds were used to buy up safe-haven assets such as UK Gilts and Treasury bonds as banks looked to bolster their balance sheets. This had the effect of driving down borrowing rates and increasing the value of the fixed income assets held within Defensive Assets.

The Defensive Assets Fund finished comfortably ahead of its cash benchmark over the quarter, building on its strong record of capital preservation and diversification towards other asset classes. The fixed income allocation did best, with the holdings in UK government bonds and UK corporate bonds delivering the strongest returns. US government bonds and global corporate bonds also helped returns but not to the same degree as the UK holdings where yields were driven down to record lows due to Bank intervention and perceived safe-haven status. Cash based strategies within the Fund did not keep pace with the fixed income allocation with the currency managers struggling as shorts versus the strong Australian dollar were penalised.

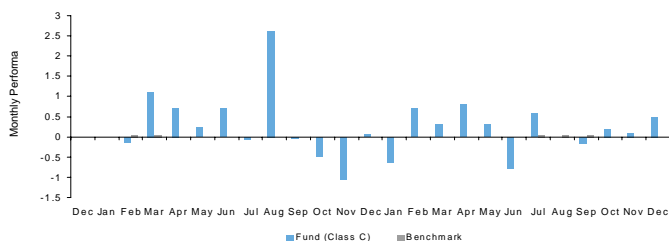
The Fund retains a cautious position towards risk with core holdings in high quality fixed income assets and cash based strategies; both of which will continue to provide diversification to more risky assets over the coming year. As yields on some of the government bonds within the Fund have reached record lows, we have looked to diversify the risk of these selling out by taking profits and allocating to more diversified fixed income as well as select precious metals.



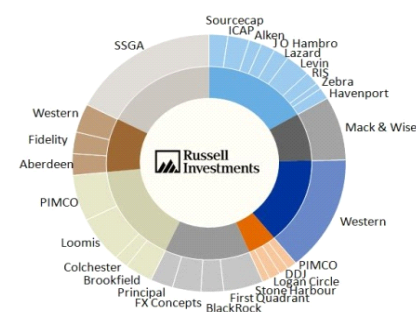
Portfolio Manager:
James Ind

Benchmark	Bank of England Base Rate
Fees: Class A, B, C	1.35%, 0.85%, 0.60%
AUM	£63.5m
Launch Date	12th January 2010
SEDOL: A Class acc.	B4L3HZ9
12-month Yield	1.83

Performance Chart (%)



Fund Allocation



As at 31/12/2011

Strategy Allocation

Asset class	Weight	Fund
Global Bonds	16.5%	Russell Investment Co. PLC The Global Bond Fund (£hedged)
Absolute Return	16.6%	Russell Investment Co. PLC IV Absolute Return Equity Fund
Cash Plus	13.4%	Russell Investment Co. PLC III Active Currency Fund (£hedged)
Corporate Bonds	14.5%	Russell Investment Co. PLC Sterling Corporate Bond Fund
Cash	17.5%	Russell Investment Co. PLC III Sterling Liquidity Fund
Sterling Bonds	9.0%	Russell Investment Co. PLC Sterling Bond Fund
Global High Yield Bonds	4.5%	Multi-Strategy Multi-Manager Global High Yield Fund
Dynamic Assets	8.0%	OpenWorld™ Dynamic Assets Fund

The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Any forecast, projection or target is indicative only and not guaranteed in any way. Any past performance figures are not necessarily a guide to future performance.

Quarterly Investment Performance as at 31/12/2011

Fund	Fund Benchmark	Mandate Inception	Russell Analysis
RIC IV Absolute Return Equity Fund	London Clearing Bank Base Rate ¹	Q1 2010	AREF finished in line with the London Bank Clearing Index over the quarter as strong outperformance in October was offset by weaker returns particularly in November. Over the period markets have seen some improvement in a few important segments, but unclear resolution of peripheral European countries funding needs continue to weigh on market sentiment. A supportive economic outlook and attractive valuations have resulted in the US being the best performing major market. Continental European markets were held back by struggling peripheral countries while northern and core markets such as Denmark, the Netherlands and Norway have regained previous losses. Japan was the worst performing market due to a strong yen and political turmoil.
RICIII Active Currency Fund (£hedged)	3 Month LIBOR (USD)	Q1 2010	The Fund lagged its benchmark during the fourth quarter, as all of the underlying managers reported negative performance. Being short the Australian dollar, which was the best-performing currency on the back of rising commodity prices, was the main negative contributor for underperformance. Being long the British pound also proved detrimental. Holding a long exposure to emerging market currencies such as the Brazilian real, the Indian rupee and the Turkish lira further detracted from returns.
RIC Global Bond Fund (£hedged)	Barclays Capital Global Aggregate	Q1 2010	The Fund finished comfortably ahead of the benchmark over the period, driven by Loomis and PIMCO. The key driver was sector positioning, notably overweights to investment-grade industrials and riskier corporate high yield, as investor confidence was boosted over the period. Country and rates positioning in the form of overweights to German bunds and UK gilts was a strong secondary driver. Currency was also beneficial via short positions in the euro, Czech koruna and Swiss franc plus longs in the New Zealand dollar and Singapore dollar, though these were offset to a degree by an overweight to the Polish zloty and an underweight to the Australian dollar.
RIC Sterling Bond Fund	Merrill Lynch Sterling Broad Market	Q1 2010	The Fund finished flat over the quarter, being neutral in duration as Fidelity and Western's positioning cancelled each other out. While the fund was underweight governments and overweight corporates the Fund gained from its sub-sector allocation and security selection within credit and currency.
RIC Sterling Corporate Bond Fund	Merrill Lynch All Stocks Non-Gilts 10+	Q1 2010	The Fund outperformed over the quarter largely driven by its sector selection, in particular its underweight to government-related securities. Western's security selection, high yield overweight and currency positioning added further, while a small duration underweight detracted slightly.
RIC III Sterling Liquidity Fund	UK 1 month T Bill ²	Q1 2010	The Bank of England's monetary policy committee kept UK interest rates on hold at 0.5% throughout the fourth quarter. Rates have been constant for nearly three years. However, the Bank of England restarted its quantitative easing (QE) programme in October. The Bank's plan was to buy an additional £75 billion of government bonds by the end of 2011, taking its total programme to £275 billion. This was more than many analysts were expecting (£50 billion), and it was notable that the committee discussed an even larger QE programme (£100 billion).
MSMM Global High Yield	70% ML Global High Yield EH and 30% JP Morgan EMBI+	Q4 2011	The Fund lagged its benchmark in a strongly positive quarter, largely dragged down by DDJ's underperformance. The remaining managers performed roughly in line with their own benchmarks. The Fund was supported by riskier assets which rallied over the quarter on positive newsflow from the US and the ECB after they announced that they would extend cheap liquidity to banks.
OpenWorld™ Dynamic Assets Fund	European Central Bank base Rate	Q4 2011	In line with its cautious investment approach, the manager has been building the portfolio very carefully. After initiating small positions in gold and silver at launch, the manager found good entry points mid-month and again at the end of the month when the prices of both the precious metals declined. Other than precious metals, small negative contributions also came from German bunds (as yields rose) and precious metals stocks.

¹ Prior to July 2011 the published benchmark was 1 month LIBOR (GBP)

² Prior to December 2008, the benchmark was the CG UK 1 Month T Bill Average Yield Index. On 1st January 2009, the benchmark changed to the GBP Libid 1 Week index. On 15th April 2010, the benchmark changed to the UK 1 Month T Bill.

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