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# IM Russell ICVC Real Assets Fund

## Performance Review<sup>1</sup>

	Three Months %	Six Months %	Year to Date %	Since Inception %
IM Russell ICVC Real Assets Fund (Class C Fees) <sup>2</sup>	3.5	-4.4	-2.9	5.7
UK Retail Price Index (RPI)	1.4	1.5	5.4	4.2

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

<sup>1</sup> 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.

<sup>2</sup> Our performance reviews are now based on class C fees (-2.1% for January). Prior to June 2010, they were based on class A fees (1.5% for the second quarter).

## Quarterly Fund Comment

Having been hurt by the summer's indiscriminate sell-off, the Real Assets fund rebounded strongly in the fourth quarter. Having had a large allocation to cash whilst downside risks remained elevated, the Fund moved to a more fully invested position and was able to participate in the rallies as assets such as Real Estate and Listed Infrastructure responded positively to an improved economic outlook. The fourth quarter saw increased co-operation and co-ordination amongst policy makers. The Bank of England increased stimulus early in the quarter which had the impact of driving yields down further on long-term government debt, this resulted in increased price appreciation for the holding of UK Index Linked Bonds which has been the star allocation over the course of the year and provided valuable diversification. Further intervention came later in the quarter from the European Central Bank's announcement that it would provide investment banks unlimited funding for three years at 1% borrowing cost; this helped spur the allocations to real estate and infrastructure assets, with the former being particularly dependent on bank lending for financing. This improved outlook reassured us that policy makers are committed to avoiding a Lehman-like event within the Eurozone, and this, combined with improving economic data, led us to reducing the large cash position from 16% of the Fund down to a more modest 8% (with the cash being put to work in Real Estate markets).

The Fund was up over 3% in the fourth quarter which has limited losses for the year, but in a year where geo-political, climatic and sovereign debt issues culminated in a bear market for equity markets, the Fund's assets were not immune and returned around -2.5% for the year. This is clearly a disappointing result for a strategy which aims to dominate UK inflation. However, the Fund remains comfortably ahead of RPI over longer time periods.

Index linked bonds were the best performing allocation within the Fund over the quarter, returning around 8% (as yields fell and UK inflation remained elevated). Listed Real Estate and listed Infrastructure also performed strongly, up around 7% and 5% respectively. RARE (the listed Infrastructure manager within the Fund) had another strong quarter as defensive utility stocks performed strongly and currency impacts from large holdings within Australia and Brazil benefited.

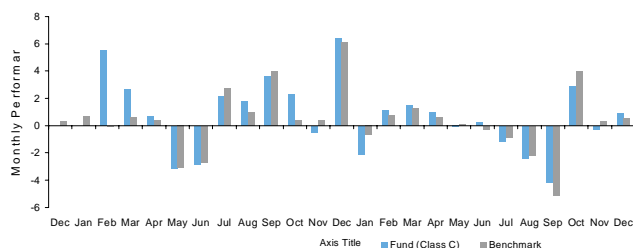


Portfolio Manager:

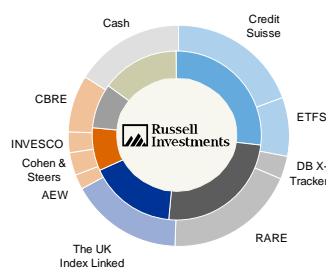
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<b>Benchmark</b>	UK Retail Price Index (RPI)
<b>Fees: Class A, B, C Class</b>	1.50%, 1.00%, 0.75%
<b>AUM</b>	£45.2m
<b>Launch Date</b>	30/11/2009
<b>SEDOL: A Class acc.</b>	B4KZFS5
<b>12-month Yield</b>	0.83

## Performance Chart (%)



## Fund Allocation



As at 31/12/2011

## Strategy Allocation

Asset Class <sup>1</sup>	Weight	Fund
Listed Infrastructure	25.0%	- 19.25% OpenWorld PLC - Global Listed Infrastructure - 5.25% DB X-Trackers S&P Global Infrastructure Equity ETF
Commodity	27.0%	- 8.5% ETF Commodity Securities Limited - All Commodities DJUBS - 18.5% Credit Suisse Commodity Index Plus Fund
Inflation Linked Bonds	15.0%	- RIC UK Index Linked Bonds
Commercial Property	12.5%	- MSMM Global Real Estate Securities
Commercial Property	12.5%	- OpenWorld PLC - Global Opportunistic Listed Property
Cash	8.0%	- Russell Investment Company III PLC - The Sterling Liquidity Fund

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<sup>1</sup> Currency Forwards £/\$ and £/EUR will also be used as appropriate and implemented by Russell Investments.

## Quarterly Investment Performance as at 31/12/2011

Segment	Segment Benchmark	Mandate Inception	Russell Analysis
ETFS ALL Commodities DJUBS	DJ-UBSCI Commodities	Q3 2010	The commodity market was up 1.2% over the quarter, with agricultural commodities such as corn, soybeans and wheat leading the way as droughts in South America caused irreversible damage to crops and drove down supplies. Other markets were less positive, being dragged down in the early part of the quarter amidst fears of a China slowdown. Precious metals were the worst performing market, with Gold and Silver both down heavily in December. Against this backdrop the Fund performed broadly in line by holding near term commodity contracts at benchmark weight.
Credit Suisse Commodity Index Plus Fund	DJ-UBSCI Commodities	Q3 2010	The Fund was flat over the quarter, with the manager taking less risk in a market driven more by event risks than fundamentals. Credit Suisse have generated over 140 bps of alpha over the year by tactical positioning in longer dated commodities contracts whose prices have not been so sensitive to near-term sell offs.
MSMM Global Real Estate Securities Fund £ Hedged	FTSE EPRA/NAREIT Developed Real Estate Index Net <sup>1</sup>	Q3 2010	The Fund ended the fourth quarter ahead of the benchmark as a result of particularly efficient stock selection in the US where nearly all sectors contributed positively. Stock picks were also strong in Hong Kong and in the Philippines. Sector bets further lifted performance thanks to the underweight to Japan and the Netherlands which suffered a slow period. At a sector level, selection in the diversified sector added to gains due to the underweight positions to key lagging Asian companies (City Development in Singapore, Sumitomo Realty & Development in Japan and Wharf holdings in Hong Kong).
Russell Open-World Global Opportunistic Listed Property Fund (CBRE)	FTSE EPRA/NAREIT Developed (Real Estate) Index Net	Q3 2010	The global REIT markets ended the year on a high note with positive absolute returns in Q4, despite the ongoing Euro zone sovereign debt crisis. The overall defensive portfolio positioning caused the fund to trail in the October rally, protect on the downside mid-quarter and underperform again as markets spiked up towards the end of the year. The manager's stock picks, particularly U.S. prime retail mall companies (Macerich, Taubman Centers and General Growth Properties), contributed, as they benefited from strong up market consumption growth.
Russell Open-World - Listed Infrastructure Fund (RARE)	S&P Global Infrastructure Index	Q3 2010	A good December helped the fund outperform in the fourth quarter, which led to it posting impressive numbers for the year. Not only did the fund outperform, it also had positive returns in a declining market. It is encouraging to see that stock selection continues to be the primary driver for performance. During the quarter, as the manager became increasingly bearish, they rotated out of the more GDP sensitive areas of infrastructure (transport) into the more defensive, regulated ones (utilities).
DB X-Trackers S&P Global Infrastructure Equity ETF	S&P Global Infrastructure Index	Q3 2010	Performed broadly in line with the benchmark by holding core infrastructure sectors at index weight over the period.
RIC UK Index Linked Bond Fund	FTSE Index Linked	Q3 2010	Index-linked gilts outperformed conventional UK gilts, as the FTSE Actuaries Index Linked All Stocks Index rose by 8.4%. Global bond markets performed well again in quarter four - although EU policymakers tried to deal with the debt crisis, investors were not convinced that they have found the solution to the problems.
Russell Investment Company III PLC - The Sterling Liquidity Fund	UK 1 month T Bill <sup>2</sup>	Q3 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.

<sup>1</sup> Benchmark prior to 10/2010 was FTSE EPRA/NAREIT Real Estate Index (Dublin Tax). Benchmark currently FTSE EPRA/NAREIT Developed Real Estate Index Net

<sup>2</sup> 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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