



Thames River GLOBAL BOND Fund (\$)

(Traditional Funds plc)
UCITS III GLOBAL FIXED - OECD Sovereigns



S&P RATED
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Manager Commentary - by Paul Thursby / Peter Geikie-Cobb

In May the fund returned +0.68% versus +1.17% for the index. The mix of relative performance was the same as for April with the underperformance of the bond markets being compensated for by a strong sterling rally across all the majors. Bond yields continued to rise, by 24 basis points in 10 year US Treasuries and by 25, 41 and 6 basis points in the UK, German and Japanese markets respectively. In currency markets the US dollar lost ground, particularly against sterling which rose 9.5%. The economic data continued to paint a picture of a slowdown in the deterioration of activity. This was most evident in the survey data in the US, such as the ISM manufacturing survey and consumer confidence, and to a lesser extent the housing data which was less poor than the market had been anticipating. However, the consumer remains pretty subdued and the US savings rate is rising sharply. A similar picture is being discounted in the UK but in the Euro Zone growth appears to be even worse than the consensus forecast, due to a combination of falling exports, inventories and consumption. In terms of changes to the portfolio we increased the yield curve flattener in both the US and UK markets and switched some medium dated UK into the long end of the US market. Yield curves now look historically steep and we believe will flatten significantly under almost all scenarios. The overall duration exposure was broadly unchanged, as was the currency weightings. Bond yields have now risen to levels where, as a result of rising mortgage rates, any recovery in the US housing market is likely to be choked off. As a consequence we believe the savings rate will continue to rise and that consumption will suffer as a result, putting the green shoots of recovery at risk. More importantly, the data suggests that the main risk remains deflation and not inflation as the labour market remains very weak and capacity utilisation continues to fall. Not only is the global economy dealing with secular de-leveraging but also the usual cyclical disinflationary forces prevail. If you believe, as we do, that inflation is likely to hover around zero for the medium term, with pockets of deflation, then long bond yields look attractive at 4 5/8%. The bond vigilantes have succeeded in steering governments into future fiscal consolidation. With regard to currencies we think the dollar is getting closer to fair value versus sterling but the euro has much further to fall against the pound.

Fund Performance to 29 May 2009

	NAV per share	May 2009	YTD	1 Yr Fund	1 Yr Index	3 Yr Fund	3 Yr Index
\$ Acc Class	\$11.87	+0.68%	-1.49%	+10.83%	+6.03%	+20.14%	+24.27%
\$ Dbn Class	\$10.65	+0.60%	-1.40%	+9.73%	+6.03%	+18.54%	+24.27%

Above rolling returns are cumulative. Refer to the monthly newsletter - Page 36 for dividend information and Page 29 for monthly / annual return history vs benchmark.

Bond Allocation %

Britain	35.2
France	6.1
Germany	0.4
Netherlands	1.1
United States	56.6
Cash	0.6
Total	100.0

Credit Breakdown %

Rating	
AAA	100.0
Total	100.0

Currency Allocation %

Currency	FX	CCYO*	Total
Sterling	36.0	-	36.0
US Dollar	64.0	-	64.0
Total			100.0

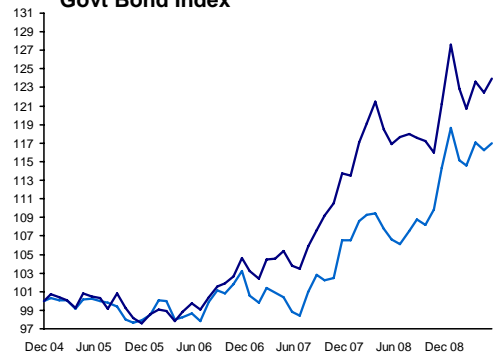
* CCYO = Currency Option

Estimated Total Volatility	15.22%
Income Yield	1.59
Maturity Yield	1.49
Bond Option Call Duration	0.00 yrs
Total Bond + Call Duration	10.02 yrs
Bond Option Put Duration	0.00 yrs
Total Bond/Bond Option Duration	10.02 yrs

Note: The yields quoted are based on existing assets at time of going to press and will fluctuate depending on asset allocation. Yields are quoted net of fees, estimated expenses and the impact of hedging and are not guaranteed.

NAV per share Price Performance 07.12.04 (rebased to \$100) to 29.05.09

— Thames River Global Bond Fund (\$) Dbn
— Citigroup US Govt Bond/ Citigroup World Govt Bond Index



Source: Northern Trust IFAS (Ireland) Ltd, Bloomberg, TRC

\$ Statistics Since Inception

Annualised Return	+3.9%
Volatility (Standard Deviation)	5.4%
Sharpe Ratio(3.22%)	0.2

Note: NAV per share monthly return calculated net of fees. Benchmark: 50% Citigroup US Govt Bond Index / 50% Citigroup World Govt Bond Index in US\$ (total return). Source: Northern Trust IFAS (Ireland) Ltd, Bloomberg, TRC, Petrac (NB: Sharpe Ratio risk free rate - SSB 3month T-Bill).

Fund Objective

The fund aims to achieve a total return primarily through investment in debt securities and instruments which may be either fixed, floating rate or index / inflation linked, issued or guaranteed by EU/OECD Issuers.

† this fund will apply for distributor status annually.

Fund Size (Mn)

Share Classes	\$32.8
Launch Price	\$ Acc / \$ Dbn
Launch Date	\$10
Minimum	7 December 2004
Legal Status	\$7,500
	UCITS III. UK regulatory status:
	FSA recognised

Dealing

Listing	Daily
Dividends	Irish Stock Exchange
Unit Type	Quarterly (Mar, Jun, Sep, Dec)
Charges	Accumulation or Distribution†

Initial Charge	Up to 5%
Management Fee	1%
Performance Fee	10% of any absolute outperformance of benchmark (see above) with a high watermark.

Manager

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Potential investors should follow the links below for information on any current side letters relating to the schemes.
<http://www.thamesriver.co.uk/downloads/disclosures.htm> <http://www.nevskycapital.com/downloads/disclosures.htm>

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For a full list of Paying Agents’ details, please follow the following links: http://www.thamesriver.co.uk/pdf/paying_agents.pdf

http://www.nevskycapital.com/pdf/paying_agents.pdf

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Prices available from:

	\$ Acc	\$ Dbn		\$ Acc	\$ Dbn
Bloomberg	THARGDA ID	THARGDD ID	Reuters (TRCHL1)	TRCHL1	TRCHL1
Datastream	30419V	30419X	Sedol	B-040-HJ3	B-040-HK4
FT (Mex ID)	TFDGA	TFDGD	S&P	992955	992956
ISIN	IE00B040HJ36	IE00B040HK41	Telekurs	CH2022404	CH2022411
Lipper	60100435	60100436	WKN	A0D8RM	A0D8RL
Tass	-	-			

