



Thames River GLOBAL BOND Fund (€)

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



S&P RATED
AA

Manager Commentary - by Paul Thursby / Peter Geikie-Cobb

In May the fund returned -1.56% versus -2.26% 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	€12.64	-1.56%	-1.86%	+21.31%	+12.03%	+25.27%	+13.35%
€ Dbn Class	€11.49	-1.43%	-1.67%	+19.66%	+12.03%	+23.41%	+13.35%

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	29.0
France	1.7
Germany	33.2
Netherlands	8.6
United States	24.0
Cash	3.5
Total	100.0

Currency Allocation %

Currency	FX CCY O*	Total
Euro	61.0	61.0
Sterling	39.0	39.0
US Dollar	-	-
Total		100.0

* CCY O = Currency Option

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

— Thames River Global Bond (€) Fund Dbn
— Citigroup Euro Govt Bond (50%) / Citigroup World Govt Bond (50%) Index



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

Credit Breakdown %

Rating	
AAA	100.0
Total	100.0

Estimated Total Volatility	15.08%
Income Yield	2.03
Maturity Yield	2.00
Bond Option Call Duration	0.00 yrs
Total Bond + Call Duration	10.17 yrs
Bond Option Put Duration	0.00 yrs
Total Bond/Bond Option Duration	10.17 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.

€ Statistics Since Inception

Annualised Return	+5.4%
Volatility (Standard Deviation)	6.8%
Sharpe Ratio (3.40%)	0.3

Note: NAV per share monthly return calculated net of fees. Benchmark - 50% Citigroup Euro Govt Bond Index / 50% Citigroup World Govt Bond Index in Euro (total return). Source: Northern Trust IFAS (Ireland) Ltd, Bloomberg, TRC, Pertrac (NB: Sharpe Ratio risk free rate - Euribor)

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.

Fund Size (Mn)	€125.0
Share Classes	€ Accumulation or Distribution ‡
Launch Price	€10
Launch Date	7 December 2004
Minimum	€7,500
Legal Status	UCITS III. UK regulatory status: FSA recognised

Dealing	Daily
Listing	Irish Stock Exchange
Dividends	Quarterly (Mar, Jun, Sep, Dec)

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

Investment Manager

Thames River Capital LLP
Sub-Distributor
Thames River Capital Holdings Ltd
Custodian
Northern Trust Fiduciary Services (Ireland) Ltd
Administrator
Northern Trust International Fund Administration Services (Ireland) Ltd
Contact: Paic Canavan
Tel: +353 (0)1 542 2216
Fax: +353 (0)1 670 1185
Email: paic_canavan@ntrs.com
Thames River Capital LLP is authorised and regulated by the Financial Services Authority

THAMES
RIVER
CAPITAL



IMPORTANT NOTICE – REGULATORY INFORMATION AND RISK WARNINGS

This document is issued for information only by Thames River Capital LLP (“Thames River”), Nevsky Capital LLP (“Nevsky”) and Thames River Multi-Capital LLP (“TRM-C”), together the Firms as indicated in the information section at the bottom of each Fund page. The firms are authorised and regulated by the Financial Services Authority (“FSA”). Content relating to unregulated collective investment schemes is only directed at Eligible Counterparties, Professional Clients or investors meeting the FSA’s COBS 4.12 categories. For Dubai, this document is issued by Thames River, which is regulated by the Dubai Financial Services Authority (“DFSA”) and is only made available to professional clients or other qualifying persons who are clients of Thames River as defined by the DFSA. It must not be relied upon by non-qualifying persons. It does not constitute an offer by the firms to enter into any contract/agreement nor is it a solicitation to buy or sell any investment. Nothing in this document should be deemed to constitute the provision of financial, investment or other professional advice in any way. The contents of this document are based upon sources of information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (express or implied) is given as to its accuracy or completeness and, the Firms, their members, officers and employees of the corporate member do not accept any liability or responsibility in respect of the information or any views expressed herein. This document may include forward-looking statements that are based upon the managers’ current opinions, expectations and projections. The firms undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements. This document is not aimed at persons who are residents of any country, including the United States of America (“USA”) and South Africa, where the funds referred to herein are not registered or approved for marketing and/or sale or in which the dissemination of information on the funds or services is not permitted. This document should not be distributed to any third party without the express approval of the Firms and has been designed for a professional audience only.

Funds referred to herein are neither registered under the Securities Act 1933 of the USA, nor are they registered under the Investment Company Act of 1940. Consequently, they cannot be offered for sale or be sold in the USA, its territories, possessions or protectorates under its jurisdiction, nor to nationals, citizens or residents in any of those areas. This document should be read in conjunction with the Prospectus of the relevant fund that will exclusively form the basis of any application and an investment should not be contemplated until the risks of investment and tax implications have been considered fully. Thames River Hillside Apex Fund SPC, Thames River Kingsway Fund Limited, Nevsky Fund Limited, Thames River Longstone Fund Limited, Thames River Sentinel Fund, Thames River Warrior Fund, Thames River Warrior II Fund, Thames River Equity Focus Fund, Thames River Distressed Focus Fund, Thames River Africa Focus Fund, Thames River Zeco Fund, Thames River 1X Currency Alpha Fund, Thames River 2X Currency Alpha Fund Limited, Thames River Property Growth & Income Fund Limited, Thames River Argentum Fund Limited, Thames River Multi-Select Fund and Thames River Global Boutiques Fund are unregulated collective investment schemes which are not recognised schemes under s.264 of the Financial Services and Markets Act 2000. Thames River Hedge+ is a cell of Thames River Multi Hedge PCC Limited, listed on the London and Channel Islands Stock Exchanges. The Thames River UK Absolute Income Fund is a sub fund of Quantum Global Funds PLC. The Thames River European Fund, Thames River High Income Fund, Eastern European Fund, Global Emerging Markets Fund, Thames River Global Bond Fund (£), Thames River Global Bond Fund (€), Thames River Global Bond Fund (\$), Emerging Asia Fund, European Select Fund, Thames River World Government Bond Fund and Thames River Water & Agriculture Fund are sub-funds of Traditional Funds plc, an open-ended investment company with segregated liability between sub-funds incorporated in Ireland, authorised by the Irish Financial Services Regulatory Authority and listed on the Irish Stock Exchange. This company is a recognised collective investment scheme under s.264 of the Financial Services and Markets Act. TR Property Investment Trust plc is a UK investment trust listed on the London Stock Exchange.

Many of the protections provided by the United Kingdom regulatory structure may not apply to investments in these funds, including access to the Financial Services Compensation Scheme and the Financial Ombudsman Service. Past performance is not necessarily a guide to future performance. Values may fall as well as rise and you may not get back the amount you invested. Income from investments may fluctuate. Changes in rates of exchange may have an adverse effect on the value, price or income of investments. The schemes and TR Property Investment Trust plc are permitted to and use gearing as an investment strategy. The effect of such gearing is that movements in the price of the schemes will be more volatile than the movements in the prices of their underlying investments. Investors should obtain professional advice on taxation where appropriate before proceeding with any investment. Investors should be aware that investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth. Fund charges may be applied in whole or part to capital, which may result in capital erosion. You should be aware of the additional risks associated with investment in emerging and developing markets. The prices of some investments may be extremely volatile. With the exception of TR Property Investment Trust plc and Thames River Hedge+, the funds are not traded on an exchange or recognised market and in common with some of their investments may not be readily realisable. This factor can make it difficult to obtain independent verification of the investment value and the extent of the risks to which they are exposed. (090617)

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>

Notice to Investors:

Please note Paying Agents/Representatives for the following countries have been appointed by Traditional Funds plc in accordance with local requirements: Germany, Austria, Switzerland, Malta, Luxembourg, Netherlands, Belgium, Sweden, Norway and France. Local language versions of the Traditional Funds plc prospectus and simplified prospectus are available from their offices.

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

For further information please contact:

Vanessa Lawley on +44 (0)20 7360 1272 or vlawley@thamesriver.co.uk

Prices available from:

	€ Acc	€ Dbn		€ Acc	€ Dbn
Bloomberg	THARGEA ID	THARGED ID	Reuters (TRCHL1)	TRCHL1	TRCHL1
Datastream	30420C	30420E	Sedol	B-040-HG0	B-040-HH1
FT (Mex ID)	TFEGA	TFEGD	S&P/Morningstar	992957	992953
ISIN	IE00B040HG05	IE00B040HH12	Telekurs	CH2022421	CH2022431
Lipper	60100437	60100438	WKN	A0D8RK	A0D8RJ
Tass	-	-			

