



Thames River HIGH INCOME Fund

(Traditional Funds plc)
UCITS III GLOBAL CREDIT Emerging Markets & High Yield

S&P RATED
AA

Manager Commentary – Bernt Tallaksen / Mehrdad Noorani

Risk assets continued to perform well in May, buoyed by economic data. There seems to be growing market confidence that policy action is gaining traction. The consensus that credit should outperform equities has also been reflected in the relative price action over the course of the month. Against this backdrop, issuance in the primary markets flowed at a steady pace. The fund returned 4.54% (new \$ class), split fairly evenly between the corporate and sovereign portfolios. The majority of gains in the corporate portfolio was attributable to hard currency positions, spread across the Crossover and Periphery categories. In the Crossover category, our HY positions in Latam and Asia contributed to the bulk of the gains. Our Periphery positions were also helped by improving sentiment. In Western Europe, as issuance volumes stayed high for Investment Grade credit, some of the higher quality high yield corporates started to test investor appetite for primary issuance. Fuelled by hopes that the doors may soon open for refinancing for other high yield names, the rally in certain HY and stressed assets in Europe continued. In EM, especially Asia, corporate buy-backs of outstanding debt at very distressed trading levels has picked up momentum this year, and as a result, one of our highly stressed Asian positions benefited; from more than doubling in price over the month. We used some of the positive momentum during the month to realise profits on a portion of our Western European HY positions. We also put more cash to work by selectively participating in the new issue market. Sovereign performance was mainly due to local currency rates positions in Brazil, Mexico and Turkey as rates markets priced in more rate cuts at the short end of the curves, and hard currency positions in Latin America. Gains in US rates positions were offset by the cost of portfolio protection for the month. Although economic data has been more robust than expected of late out of the US, we fear that the market may have started to price a V-shaped recovery prematurely, and the ongoing pace of new issuance will start to test appetite for risk lower down in the credit spectrum. For the corporate portfolio we continue to use market strength to move up the liquidity spectrum into investments that are likely to see better upside in the near future. The sovereign approach remains tactical as we expect volatility in the underlying data to be reflected in asset prices this year.

Fund Performance to 29 May 2009

	NAV per share	May 2009	YTD	1 Yr Fund	1 Yr Index	3 Yr Fund	3 Yr Index	5 Yr Fund	5 Yr Index
€ Acc Class	€9.59	+4.35%	+14.58%	-20.41%	+0.23%	-10.46%	+17.98%	-	-
New € Dbn Class	€7.16	+4.37%	+14.51%	-20.24%	+0.23%	-10.24%	+17.98%	-	-
New £ Dbn Class	£7.41	+4.22%	+13.98%	-20.41%	+0.95%	-8.05%	+21.70%	-	-
New \$ Dbn Class	\$7.37	+4.54%	+14.15%	-20.29%	-1.03%	-8.48%	+18.43%	-	-
New NOK Dbn Class	NOK72.97	+4.48%	+14.95%	-19.57%	+1.29%	-8.58%	+20.20%	-	-
€ Dbn Class (Closed)	€9.83	+4.35%	+14.57%	-20.39%	+0.23%	-9.03%	+17.98%	+6.91%	+48.62%
£ Dbn Class (Closed)	£10.37	+4.33%	+13.77%	-20.83%	+0.95%	-6.44%	+21.70%	+15.32%	+58.86%
\$ Dbn Class (Closed)	\$9.62	+4.34%	+14.12%	-20.32%	-1.03%	-6.48%	+18.43%	+11.95%	+51.09%
NOK Dbn Class (Closed)	NOK75.18	+4.47%	+15.11%	-19.48%	+1.29%	-6.92%	+20.20%	+8.89%	+51.17%

*New share classes launched 1 July 2005. Above rolling returns are cumulative. Refer to Newsletter page 35 for dividend information and p.30 for monthly / annual return history vs benchmark.

Overall Exposure % of Fund NAV

	Sov.	Corp.	Total	Wgt. Dur.	Non-\$ FX Exp.
Top Down (net)					
G7 Macro / hedges	-2.4	-5.2	-7.6	-0.10	
Bottom up Developed (net)					
North America	-	+1.4	+1.4	0.03	-0.3
Europe	-	+10.1	+10.1	0.24	-1.3
Asia Pacific	-	+1.5	+1.5	0.05	-2.8
Bottom up Emerging (net)					
Eastern Europe	+7.3	-	+7.3	0.03	-4.7
CIS	+1.7	+10.1	+11.8	0.09	-0.2
Latin America	+18.7	+8.5	+27.2	1.22	+3.6
Mid East & Africa	+17.0	+0.7	+17.7	0.13	-1.1
Asia	-1.1	+5.3	+4.2	0.09	+1.5
Bottom up Total (net)	+43.7	+37.6	+81.3		-5.2
Bottom up Duration	1.09	0.79		1.89	n/a
Top down Gross	17.0	5.2	22.2	-	-
Bottom up Gross	68.3	39.8	108.1	-	-
Total Gross	85.3	45.0	130.3	-	-

Summary

	Total %	Wgt Dur (Yrs)
G7 / Macro (net)	-7.6	-0.10
Bottom Up (net)	81.3	1.89
Portfolio Total (net)	73.6	1.79
Investable Cash	12.0	
Income Yield*	8.1	
Maturity Yield	11.75	

*Estimated fund yield based on current portfolio weightings.

Corporate Top 5 Sectors

	Exp %	Wgt. Dur
Financial	+8.2	0.15
Industrial	+6.5	0.26
Consumer	+5.8	0.03
Basic Material	+4.7	0.08
Energy	+4.5	0.09
Total	29.7	0.61

Fund Objective

The fund is a global credit fund focusing on emerging markets and high yield. The fund aims to maximise total return subject to providing a high level of income relative to bonds issued by countries participating in the euro.

Dealing Daily
Domicile Irish
Unit Type Acc. (€) or Dist. ‡

‡ These classes will apply for distributor status annually.



Fund Size (Mn)

\$596.1
US\$ (base) / €£/NOK (hedged)

Share Classes
€10 on 26 Jun 2000 (Dbn)

Launch Price
£10 / \$10 on 28 Dec 2001

NOK100 on 24 Mar 2004

€10 on 7 Dec 2004 (Acc)

New share classes: 30 Jun 2005

€£/\$ 10,000, NOK 100,000

Other Launches
Legal Status UCITS III. UK regulatory status:

FSA recognised

Irish Stock Exchange

Quarterly (Jan, Apr, Jul, Oct)

Listing
Dividends
Charges

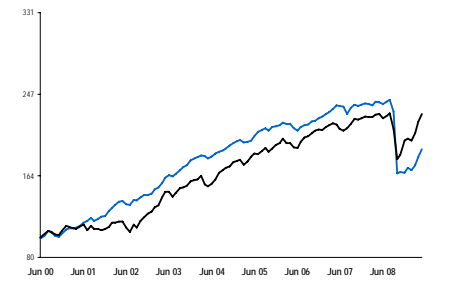
Initial Charge Up to 5%

Management Fee 1.5% p.a.

Performance Fee 15% HWM (3m LIBOR hurdle)
(€ Acc & new share classes only)

NAV per share Price Performance 26.06.00 (rebased to €100) to 29.05.09

— Thames River High Income Fund €
— Dbn† JP Morgan EMBI Hedged into €



†Linked performance (old € share class 26.06.00 - 30.06.05; new € share class 30.06.05 - date). Source: Northern Trust IFAS

(Ireland) Ltd, Bloomberg, TRC

€ Statistics Since Inception ‡

Annualised Return **+7.69%**
Volatility (Standard Deviation) **11.3%**
Sharpe Ratio (%) **0.43**

Note: NAV per share monthly return is calculated net of fees and expenses. Fund performance includes reinvestment of gross dividends. Benchmark: JP Morgan EMBI Global, hedged into the base currency of the relevant share class. Source: Northern Trust IFAS (Ireland) Ltd, TRC, Pertrac (NB: Sharpe Ratio risk free rate - Euribor). ‡ Start date 30.06.00. € Class (Closed).

Investment 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:

OPEN	€ Acc	€ Dbn	£ Dbn	\$ Dbn	NOK Dbn	CLOSED	€ Dbn	£ Dbn	\$ Dbn	NOK Dbn
Bloomberg	THARVHA ID	TRHINED ID	TRHINGD ID	TRHINUD ID	TRHINND ID	Bloomberg	THARVHI ID	THAHIIS ID	THAHIIU ID	THAHIIN ID
Datastream	30420K	31307W	31307X	31308C	31308D	Datastream	13654T	149301	15167V	15197C
FT (Mex ID)	TFHIA	TFNED	TFNSD	TFNUD	TFNNKD	FT (Mex ID)	TRHI	TFHIG	TFHIU	
ISIN	IE00B040HD73	IE00B0BYXQ73	IE00B0BYXC03	IE00B0BYZ839	IE00B0BYZX80	ISIN	IE0008009874	IE0031221728	IE0031221835	10031221942
Lipper	60100160	65004212	65004251	65004210	65004211	Lipper	60049473	60065387	60065388	60092575
Tass						Tass				
Reuters (TRCHL)	TRCHL	TRCHL	TRCHL	TRCHL	TRCHL	Reuters (TRCHL)	TRCHL	TRCHL	TRCHL	TRCHL
Sedol	B-040-HD7	B-0BY-XQ7	B-0BY-YC0	B-0BY-Z83	B-0BY-ZX8	Sedol	0800987	3122172	3122183	3122194
S&P/Morningstar	992958	208906	208903	208904	208905	S&P	351703	353214	353213	360801
Telekurs	CH2022443	CH2225979	CH2226010	CH2226035	CH2226045	Telekurs	CH1104549	CH1376541	CH1376538	CH1376517
WKN	A0DNWM	A0ETLZ	A0ETLO	A0ETL1	A0HGZG	WKN	750776	A0BLAP	A0BLAQ	A0D8KM

