



Thames River HIGH INCOME Fund

(Traditional Funds plc)

UCITS III GLOBAL CREDIT EMERGING MARKETS, HIGH YIELD & DISTRESSED

Manager Commentary – by Stephen Drew / Mehrdad Noorani

January began as a typical month for credit but the macro headwinds soon disturbed the positive seasonals though the fund returned +2.54%(€ Acc). Sovereign volatility was the core theme, driven by peripheral European countries, primarily Greece. We expect this volatility to ebb and flow but it is likely the market will not reach a formative conclusion until there is more re-pricing (volatility). We have kept the structure of our cross market hedges in the portfolio, and expect these to aid attribution in coming months. Our core view still remains of lower growth for longer with rates on hold for 2010. We are still expecting range bound, choppy markets for one to two quarters, but once volatility subsides we still expect the strong and improving fundamentals of emerging and some developed market credits to reassert themselves and contribute positively to performance and to a positive year for credit in 2010. The attribution highlights in January were +0.6% from specific event credit stories, +0.6% for emerging market FX and a short Euro position, primarily Latin America/Asia, +0.5% from European HY, +0.4% from Indonesian power, +0.4% from the Venezuela currency devaluation. Sector attributions were concentrated in basic materials (+0.4%), energy (+0.3%) and industrials (+0.3%). Our hedges performed well in January, with the long equity and FX volatility positions contributing +0.3% and +0.4% respectively. The core regions we are still bullish on, and which contributed to performance in January, are Latin America and Asia Pacific. The highlight was our negative stance on EMFX, particularly in Brazil, which we saw as an early warning signal to a broader pick up in cross asset volatility. We have taken a more pro cyclical stance in the portfolio, encouraged by the gap between some cyclical assets and the economic news. Our focus has been on assets that we think are fundamentally attractive but where de-risking has created opportunities. We doubt the Greek issues will be decisively resolved for a while and expect more contagion. The risks are that policymakers continue to underestimate the extent of the action needed. Short term further calming rhetoric is likely but the market needs a decisive well considered plan that can be used as a template for Greece and the other peripheral European countries. We believe the earnings season is likely to progress well and for company fundamentals to continue to improve. With Global GDP growth likely to be firm but not robust we believe that credit performs well, financials and corporates continue to de-lever. The backdrop we see is not too hot, not too cold, benefiting global credit markets. The team has also recently published a review of 2009 which is available from your sales representative.

Fund Performance to 29 Jan 2010

	NAV Per Share	YTD	1 Year Fund	3 Year Fund	5 Year Fund
€ Acc Class	€11.32	+2.54%	+31.17%	+0.09%	+11.86%
New \$ Acc Class*	\$10.28	+2.19%	-	-	-
New £ Acc Class*	£10.21	+2.10%	-	-	-
New € Dbn Class	€8.01	+2.59%	+31.38%	+0.56%	-
New £ Dbn Class	£8.29	+2.54%	+31.05%	+2.09%	-
New \$ Dbn Class	\$8.23	+2.56%	+31.13%	+1.06%	-
New NOK Dbn Class	NOK82.12	+2.72%	+32.67%	+3.02%	-
€ Dbn Class (Closed)	€11.00	+2.63%	+31.35%	+1.32%	+15.19%
£ Dbn Class (Closed)	£11.61	+2.55%	+31.01%	+2.91%	+21.82%
\$ Dbn Class (Closed)	\$10.76	+2.53%	+31.33%	+2.53%	+20.76%
NOK Dbn Class (Closed)	NOK84.64	+2.72%	+32.66%	+4.35%	+9.54%

Source: Northern Trust IFAS (Ireland) Ltd. Above rolling returns are cumulative. Refer to back of the Newsletter for dividend information and monthly / annual return history vs benchmark. N.B. Historical performances for distribution share classes may vary from previous issues of the Thames River newsletters. This follows an improvement in the performance calculation methodology (from monthly to daily cumulative), in order to be in line with Global Investment Performance Standards. *Opening Dates: New \$ Acc Class - 03/12/09. New £ Acc Class - 07/12/09.

Return History %

€	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
10	+2.63	-	-	-	-	-	-	-	-	-	-	-	+2.63
09	+3.14	-1.33	+2.80	+4.94	+4.35	+1.93	+3.69	+2.16	+3.27	+1.63	+0.28	+1.39	+32.01
08	+0.30	-0.07	-0.67	+1.67	-0.07	-0.97	+1.39	+0.76	-5.28	-27.81	+1.01	-0.56	-29.72
07	+0.89	+1.19	+1.03	+1.62	+2.03	-0.36	-0.37	-3.13	+2.78	+1.27	-0.29	+0.59	+7.36
06	+0.87	+1.23	-0.86	+0.14	-2.05	-1.12	+1.53	+1.06	+0.30	+1.67	+0.37	+1.34	+4.51
05	+0.67	+0.88	-1.24	0.00	+0.83	+2.24	+1.85	+0.95	+1.37	-1.23	+1.54	+0.43	+8.54
04	+1.75	+0.53	+1.12	-0.37	-1.51	+1.23	+1.69	+0.99	+0.83	+0.91	+1.50	+1.55	+10.65
03	+0.75	+3.26	+1.19	+3.17	+3.08	+2.10	-0.78	+1.62	+1.99	+2.06	+1.09	+2.31	+24.07
02	+3.87	+2.41	+1.63	+3.20	+0.18	-2.02	-0.59	+3.86	-0.27	+2.12	+1.77	0.00	+17.20
01	+4.71	+0.88	-0.10	+0.68	+1.60	+3.05	+1.81	+2.30	-2.63	+1.74	+2.04	+0.86	+18.14
00	-	-	-	-	-	-0.10	+2.50	+4.69	-1.77	-2.94	-1.13	+2.78	+3.85

The above performance history relates to the Fund's (€) Dbn share class only. Full share class history is available in the monthly newsletter. Source: Northern trust (IFAS) Ireland Ltd. Shaded area represents performance prior to Drew/Noorani taking over management

Fund Objective

The fund is a global credit fund focusing on emerging markets, high yield and distressed debt. 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 Ireland

Unit Type Accumulation or Distribution*

* these classes will apply for distributor status annually.

Fund Size (Mn)

\$807.0

Share Classes

US\$ (base)/ €£/NOK (hedged)

Launch Price

€10 on 26/06/2000 (Dbn)

£10/\$10 on 28/12/2001

NOK100 on 24/03/2004

New Share Classes 30/06/2005

€10 on 7.12.2004 (Acc)

Minimum Listing

€/£/\$10,000, NOK 100,000

Legal Status

Irish Stock Exchange

UCITS III. UK regulatory status: FSA recognised

Dividends Charges

Quarterly (Jan, Apr, Jul, Oct)

Initial Charge

Up to 5%

Management Fee

1.5% p.a.

Performance Fee

15% HWM (3m Dollar LIBOR Hurdle)

(€ Acc & new share classes only)

Investment Manager

Thames River Capital LLP

Sub-Distributor

Thames River Capital Holdings Ltd

Custodian

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Thames River HIGH INCOME Fund

(Traditional Funds plc)

UCITS III GLOBAL CREDIT EMERGING MARKETS, HIGH YIELD & DISTRESSED

Overall Exposure % of Fund NAV⁵

	Sov.	Corp.	Total	Non-\$ FX Exp.	Sov Wgt Dur. ²	Sov PV01(k) ³
Top Down :						
G7 Macro / hedges	-23.0	16.1	-6.9	-	-1.9	-131.5
Bottom up Developed:						
North America	-	1.1	1.1	-0.7	-	-
Europe	-	25.1	25.1	4.6	-	-
Asia Pacific	-	1.1	1.1	-1.6	-	-
Bottom up Emerging:						
Eastern Europe	12.4	-	12.4	-3.2	-	-1.9
CIS	-0.7	6.0	5.3	0.7	-0.1	-4.8
Latin America	17.7	12.0	29.6	4.2	1.2	141.6
Mid East & Africa	5.5	2.0	7.5	1.9	0.4	33.0
Asia	0.1	7.8	7.9	10.0	-	0.5
Bottom up Total						
Total bottom up exposure	35.0	55.1	90.1	15.8	-	168.4
Avg duration (corp) ¹	-	5.1	-	-	-	-
Weighted duration ²	1.6	-	-	-	1.6	-
Total exposure	12.0	71.2	83.2	-	-0.4	36.9

Corporate Sectors⁴

Industry Sector	Wgt(%)	PV01(k) ³	Avg.Dur ¹
Basic Materials	15.1	36.5	5.3
Communications	12.9	27.4	4.6
Consumer Cyclical	9.3	15.3	3.5
Consumer Non-cyclical	0.7	2.1	7.0
Diversified	1.6	4.2	5.6
Energy	10.9	24.1	4.8
Financial	25.8	67.4	5.7
Industrial	16.7	39.1	5.1
Technology	3.0	6.2	4.5
Utilities	3.9	11.8	6.6
Total	100.0	234.1	5.1

Summary %

Investable Cash	6.1
Income Yield	7.1
Weighted Average Maturity Yield	7.5
VAR ⁶	-2.6

6. The maximum one day portfolio loss assuming a 99% confidence level over 1 day interval time period using 2 years of historical data

Corporate Credit Rating⁴

Corporate Credit Rating ⁴	PV01(k) ³	Wgt(%)	Overall Fund	Exp(%)	W.Dur ²	PV01(k) ³
AAA	-	-	G7 Macro	-6.9	-1.9	-21.4
A	5.6	1.5	Bottom up			
BBB	88.0	23.8	Sov. (Wgt	35.0	1.6	168.4
BB	66.2	29.3	Duration)			
B	51.6	33.3	Corp. (Avg	55.1	5.1	234.1
C	1.7	1.0	Duration)			
D	-	-	Total	83.2		381.2
NR	21.0	11.1	*G7/Macro includes -131.5k PV01 from Sov and 110.1k PV01 corp			
Total	234.1	100.0				

€Statistics

	S. Inc
Annualised Return	+8.8%
Volatility (Standard Deviation)	11.0%
Sharpe Ratio (3.15%)	0.55

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). † Annualised, Start date 30.06.00. €Class (Closed).

1. Average duration of underlying positions. 2. Contribution to portfolio duration. 3. Expected \$ gain (loss) due to 0.01% change in yield of underlying positions. 4. Excludes top down hedges. 5. Exposure expressed in 10 yr bond equivalent terms for Investment Grade positions and using market value / fund NAV for sub-Investment Grade positions

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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