

# RIC Emerging Markets Equity Fund

## Performance Review

|                                                             | Three Months % | Year to Date % | One Year % <sup>1</sup> | Three Years % | Five Years % | Ten Years % | Fifteen Years % | Since Inception % <sup>2</sup> |
|-------------------------------------------------------------|----------------|----------------|-------------------------|---------------|--------------|-------------|-----------------|--------------------------------|
| RIC Emerging Markets Equity Fund (\$ Gross of Fees)         | 14.1           | 14.1           | -6.0                    | 29.6          | 6.3          | 16.2        | 8.6             | 9.1                            |
| RIC Emerging Markets Equity Fund (\$ Net of Class A Fees)   | 13.7           | 13.7           | -7.4                    | 27.7          | 4.8          | 14.5        | 6.9             | 7.6                            |
| RIC Emerging Market Equity Fund Benchmark (\$) <sup>3</sup> | 14.7           | 14.7           | -8.9                    | 25.0          | 4.8          | 14.5        | 8.4             | 8.1                            |
| Morningstar Median Manager (\$) <sup>4</sup>                | 13.7           | 13.7           | -10.1                   | 22.6          | 2.3          | 12.0        | 6.1             | 6.2                            |
| Quartile ranking                                            | 3              | 3              | 1                       | 1             | 1            | 1           | 2               | 2                              |
| Fund size \$ 3,927m                                         |                |                |                         |               |              |             |                 |                                |

<sup>1</sup> Returns greater than one year are annualised.

<sup>2</sup> Inception date 31/12/1994

<sup>3</sup> Prior to 1st April 2011 the benchmark was MSCI EMF (Net), prior to 1st Jan 2009, it was gross. Prior to April 1999 it was ING Barings Extended EM Index. Between 04/1999 & 02/2003 the IFC Investable Index. The benchmark is currently the Russell Emerging Markets Net Index.

<sup>4</sup> Morningstar Offshore & International Equity Global Emerging Mkts Universe

## Market Performance

### Overview

The Russell Emerging Markets Index rose by 14.7% in US dollar terms, comfortably outperforming developed markets. Eastern Europe was the standout performer by region with Turkey, Hungary and Poland performing particularly well. The best performing market of all was Egypt (+35.7%), which benefited from easing political tensions and a rally from its oversold level after the chaotic events of 2011. The gearing of Eastern European economies and markets to the eurozone meant the tentative agreement between Greece and its creditors prompted a rally in equity markets there. While concern remained over Hungary's (+21.3%) financial position, the market jumped after the government said it would negotiate a standby loan with the International Monetary Fund. Russia (+18.4%) was also a significant contributor to the outperformance of the region during the quarter as a beneficiary of rising oil prices. The largest country in Latin America, Brazil (+14.5%), delivered double-digit returns but underperformed the index. It was reported that unemployment plunged to a record low of 4.7% in December before ticking higher again in January and February. In response to this and a slowdown in industrial production, Brazil's central bank cut its benchmark interest rate to 9.75% from 10.5%, and while interest rates cuts in general help equity markets, the market was more focused on the increased inflationary risk as a result of the expanding monetary policy. China (+11.3%) performed well in January and February on hopes for a soft landing for the economy and as the People's Bank of China lowered the reserve requirements for banks. The market declined in March, however, as the government cut economic growth target to 7.5% from 8% and the country posted the biggest trade deficit in over 20 years. Elsewhere in Asia, India (+21.0%) was very strong in January when inflation dipped to its lowest level since 2009. This gave the Reserve Bank of India room to cut banks' reserve ratio to inject liquidity into the financial system. In March however, the market declined as another corruption scandal undermined confidence in the government and the economic data took a turn for the worse with inflation rising again.

## Fund Performance

### Performance History(1)



(1) Performance is quoted gross of management fees

### Key Drivers

The Fund underperformed over the period, with five out of seven managers finishing behind the benchmark, the exceptions being Alliance Bernstein and Harding Loevner. Detracting from performance was stock selection in North Asia, notably weak selection in China, Taiwan and Korea, together with ineffective stock selection in the utilities and technology sectors. However, the Fund did benefit from effective stock selection in the financial services sector, notably among commercial banks and real estate management and development companies.

## Manager Review

| Manager                   | Approach / Process             | Excess Return | Manager Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------|--------------------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Genesis                   | Market - Oriented<br>Bottom Up | -1.1%         | Genesis underperformed as its stock selection within Asia, specifically in China and Korea proved negative. The manager's ineffective stock selection in the materials & processing and the technology sectors hurt performance the most. An off-benchmark allocation to Anglo American proved detrimental, as the miner encountered a volatile quarter on various news, including reporting marginally weaker half-year profits due to China's cooling economic growth. Offsetting some losses was effective stock picking in the financial services sector, particularly holding commercial banks such as Sberbank of Russia and Banco Santander Brasil.             |
| Alliance Bernstein        | Value                          | 1.5%          | Alliance Bernstein was the best performer over the quarter, predominantly driven by its strong stock selection within the materials and processing and the financial services sectors. From a country perspective, an overweight allocation to and successful stock picking in Turkey together with effective stock selection in South Africa were positive. An overweight allocation to Russian Gazprom added the most value, as the state-controlled gas supplier rose on signs of an improving US economy, rising oil prices and a relief rally after Vladimir Putin was re-elected.                                                                                |
| Arrowstreet Capital       | Market - Oriented<br>Quant     | -0.8%         | Arrowstreet's performance was hindered by weak stock selection in North Asia, specifically in Korea and China. Value added from stock selection within materials and processing was more than offset by an overweight allocation to and stock selection in the utilities sector; most notably an overweight to telecoms operator China Unicom, who declined on increasing competition and earnings risks. Elsewhere, stock selection in Brazil was beneficial, notably the underweight allocation to Petrobras, as the oil explorer reported a 52% drop in its fourth quarter profit, after a weakening currency increased the cost of foreign loans and fuel imports. |
| Harding Loevner           | Market - Oriented              | 1.0%          | Harding Loevner's outperformance was largely driven by its strong stock selection in China. Furthermore, stock picking within the energy and financial services sectors proved beneficial. Adding the most value was an overweight allocation to India's Axis Bank, as its profits rose on loan growth due to higher credit demand from the retail segment. An overweight allocation to Columbia's Ecopetrol was also a positive, as the oil company climbed after announcing it will start exploring and drilling for oil in Venezuela, a move which could boost its reserves and output.                                                                             |
| UBS                       | Growth                         | -1.9%         | UBS' underperformance was driven by weak stock selection, notably in Taiwan and Brazil. The utilities and the consumer staples sectors hindered performance the most. Key detractors were overweight allocations to food retailer Shoprite, whose shares declined after announcing it would raise \$1billion by issuing new shares and to Chunghwa Telecom, which declined on various news including reporting a decrease in revenue for 2012 and missing analysts' earnings forecasts. In contrast, stock selection in China was positive, notably an overweight allocation to Melco Crown Entertainment, as gambling revenue in Macau surged 24% in March.           |
| Victoria 1522 Investments | Market - Oriented<br>Thematic  | -4.1%         | Victoria 1522 endured a difficult quarter, primarily due to unsuccessful stock selection. Gains that were achieved through effective stock selection in Mexico and Indonesia were offset by weak stock selection within South Africa, Taiwan and Russia. Positions in the materials and processing and energy sectors hurt performance considerably. An overweight allocation to South African AngloGold Ashanti detracted the most, as the gold miner retreated on a sharp fall in fourth-quarter earnings and improved investor sentiment around the US economy.                                                                                                     |
| Somerset Capital          | Quality, Value                 | -1.2%         | Somerset underperformed primarily due to its underweight allocation to and weak stock selection in India. At the sector level, stocks within technology and health care proved unfavourable. One of the key detractors was an off-benchmark holding in South African telecoms company MTN Group, as it declined amid fears that US and European sanctions would affect the economy of Iran, one of its key non-African markets. An overweight exposure to pharmaceutical provider Yuhan was also a negative as it fell after it missed analyst earnings forecasts. In contrast, stock picking within financials, notably among commercial banks was rewarded.          |

Fund Statistics

| Manager Weights                                                                                                                                                                                                                                                                                                                                                      | Characteristics                         | Fund  | Benchmark      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------|----------------|
|  <ul style="list-style-type: none"> <li>■ Genesis: 17.5%</li> <li>■ Alliance Bernstein: 12.5%</li> <li>■ Arrowstreet Capital: 22.5%</li> <li>■ Harding Loevner: 20.0%</li> <li>■ UBS: 12.5%</li> <li>■ Victoria 1522 Investments: 7.5%</li> <li>■ Somerset Capital: 7.5%</li> </ul> | Sector Deviation                        | 8.58  | --             |
|                                                                                                                                                                                                                                                                                                                                                                      | Market Cap Weighted Nlog                | 0.07  | --             |
|                                                                                                                                                                                                                                                                                                                                                                      | Price/Earnings (excl negative earnings) | 10.02 | 10.42          |
|                                                                                                                                                                                                                                                                                                                                                                      | Dividend Yield                          | 2.60  | 3.02           |
|                                                                                                                                                                                                                                                                                                                                                                      | Price to Book                           | 1.61  | 1.61           |
|                                                                                                                                                                                                                                                                                                                                                                      | EPS Growth (1 Year)                     | 26.12 | 26.12          |
|                                                                                                                                                                                                                                                                                                                                                                      | Tracking Error                          | Fund  | Median Manager |
| One Year                                                                                                                                                                                                                                                                                                                                                             | 3.3                                     | 5.5   |                |
| Three Years                                                                                                                                                                                                                                                                                                                                                          | 2.8                                     | 5.0   |                |
| Five Years                                                                                                                                                                                                                                                                                                                                                           | 3.1                                     | 5.5   |                |

Fund Analysis

| Country Exposure <sup>1</sup> | Fund % | Benchmark % | Benchmark Country Returns |
|-------------------------------|--------|-------------|---------------------------|
| Brazil                        | 14.5   | 14.1        | 14.4                      |
| Chile                         | 1.1    | 2.0         | 19.3                      |
| China                         | 14.6   | 17.3        | 11.0                      |
| Colombia                      | 1.0    | 1.2         | 15.7                      |
| Czech Republic                | 0.1    | 0.3         | 8.7                       |
| Egypt                         | 0.4    | 0.4         | 32.8                      |
| Hungary                       | 0.4    | 0.3         | 21.3                      |
| India                         | 6.6    | 7.0         | 21.0                      |
| Indonesia                     | 4.1    | 2.7         | 6.3                       |
| Korea                         | 14.6   | 13.6        | 13.8                      |
| Malaysia                      | 1.3    | 3.4         | 8.6                       |
| Mexico                        | 4.3    | 3.9         | 16.0                      |
| Morocco                       | 0      | 0.3         | 2.7                       |
| Peru                          | 0.8    | 0.4         | 15.5                      |
| Philippines                   | 1.2    | 1.0         | 20.5                      |
| Poland                        | 1.2    | 1.2         | 20.2                      |
| Russia                        | 7.9    | 7.6         | 19.1                      |
| South Africa                  | 8.2    | 7.3         | 11.7                      |
| Taiwan                        | 6.8    | 11.8        | 16.0                      |
| Thailand                      | 3.8    | 2.1         | 21.6                      |
| Turkey                        | 3.3    | 1.6         | 28.3                      |
| United Arab Emirates          | 0.1    | 0.4         | 21.6                      |
| Other                         | 3.6    | 0.0         |                           |

<sup>1</sup> Due to rounding, totals may not equal 100%

## Top Ten Holdings

| Company Name                                 | Fund% | Benchmark % | Country     | Sector                 |
|----------------------------------------------|-------|-------------|-------------|------------------------|
| Samsung Electronics Co., Ltd.                | 4.8   | 3.0         | South Korea | Technology             |
| Gazprom-Regist                               | 2.6   | 1.5         | Russia      | Energy                 |
| LUKOIL HOLDINGS                              | 2.4   | 1.0         | Russia      | Energy                 |
| China Mobile, Ltd.                           | 1.9   | 1.2         | Hong Kong   | Utilities              |
| Taiwan Semiconductor Manufacturing Co., Ltd. | 1.8   | 1.5         | Taiwan      | Technology             |
| Petroleo Brasileiro SA                       | 1.4   | 2.1         | Brazil      | Energy                 |
| Hyundai Motor Co.                            | 1.2   | 0.7         | South Korea | Consumer Discretionary |
| Sberbank                                     | 1.1   | 0.6         | Russia      | Financial Services     |
| Cia de Bebidas das Americas                  | 1.0   | 0.7         | Brazil      | Consumer Staples       |
| Kia Motors Corp.                             | 1.0   | 0.4         | South Korea | Consumer Discretionary |

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