

# US Equity Fund

## Performance Review

	One Month %	Three Months %	Year to Date %	One <sup>1</sup> Year %	Three Years %	Five Years %	Since <sup>2</sup> Inception %
RIC US Equity Fund (US\$ Net of Class A Fees)	-11.6	-12.6	-23.1	-23.9	-0.7	4.8	1.4
RIC US Equity Fund (US\$ Net of Class B Fees)	-11.6	-12.8	-23.6	-24.5	-1.5	3.9	-0.8 <sup>3</sup>
RIC US Equity Fund (US\$ Gross of Fees)	-11.5	-12.4	-22.6	-23.2	0.2	5.7	2.3
Russell 1000 Index (US\$ Net) <sup>4</sup>	-9.6	-9.5	-19.9	-22.5	-0.4	4.9	3.1
Morningstar Median Manager (US\$) <sup>5</sup>	-11.8	-12.3	-23.0	-25.1	-2.4	2.9	1.0
Fund Size US \$998 million							

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

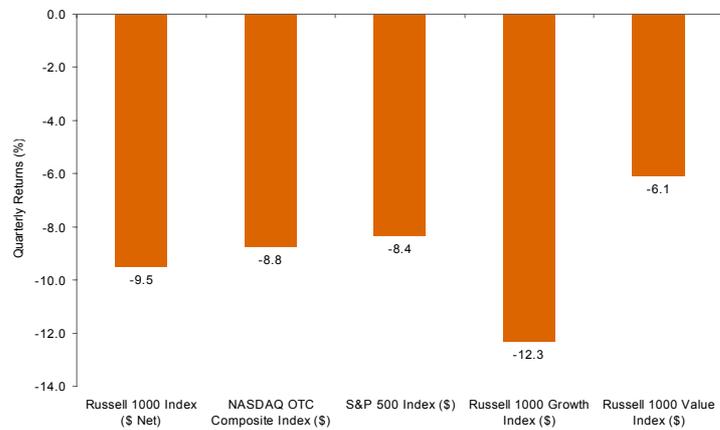
<sup>2</sup> Inception date 02/01/1998. Performance is measured from 01/02/1998. In order to make peer relevant and total return benchmark relative performance comparisons, performance is calculated from the first full month following inception.

<sup>3</sup> Inception date Class B 03/07/1998.

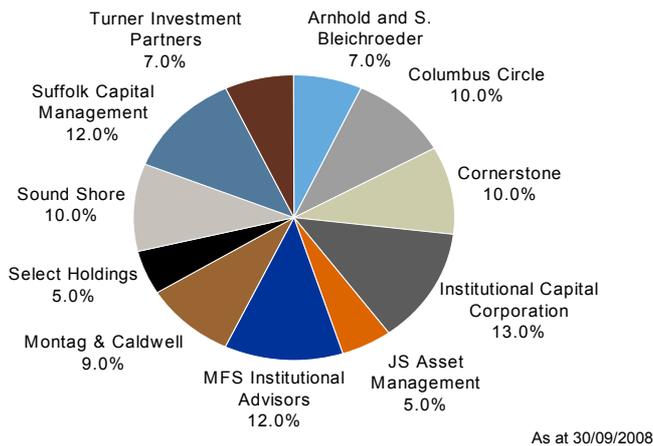
<sup>4</sup> Net of non-resident withholding tax.

<sup>5</sup> Morningstar Offshore & International Median Universe: Equity US

## Fund Highlights and Portfolio Management Activity



- US markets declined 9.5% during the quarter. Following oil-sector related volatility in July and August, September's market performance defined the third quarter as global markets suffered historic losses. A steep decline mid-September, the greatest since the 9/11 terrorist attacks, was marked by flurry of buy-outs and government intervention not witnessed since the Great Depression. The collapse of Lehman Brothers and Bank of America's purchase of Merrill Lynch caused an anxious cascade of sell offs. The Fed's rescue of AIG and its announcement of a rescue package restored some investor confidence. However, US Congress rejected the initial Bill prompting another decline towards the end of the month. Investors moved defensively towards the consumer staples sector while cyclical sectors such as technology performed poorly.



- The Fund underperformed. Performance was detracted largely by negative stock selection in financial services, where a number of companies were affected by the unprecedented market conditions. Stock selection was also detrimental in the technology sector. Investors, fearful of an economic downturn fled high growth stocks, where the potential for lower-than-expected earnings growth was higher.
- Underperformance was led by the deep value manager JS. In a market environment where investors become highly risk averse, deep value processes will be significantly affected and the third quarter turned into an exceptionally difficult period. Investor fears primarily related to the financial services sector materialised as major institutions failed causing further sell offs within the sector. In a scenario where there is such an unprecedented level of contagion this caused JS to underperformed significantly during the quarter.

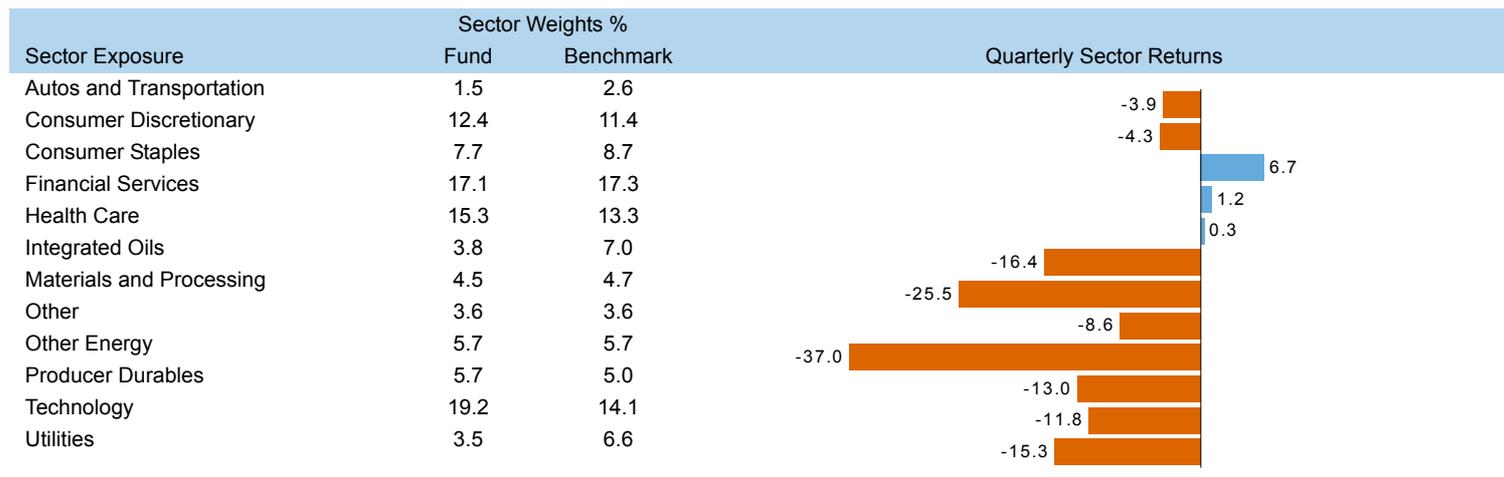
## Quarterly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Arnhold and S. Bleichroeder	Market - Oriented	+	The manager was one of the best-performers. It benefited from its underweight to a number of financial services stocks and its position in Wells Fargo which contributed positively. The biggest bank on the U.S. West Coast rose during the quarter benefiting from better-than-expected second-quarter profits and from having avoided sub-prime assets.

## Quarterly Manager Performance (continued)

Manager	Approach / Process	*Manager Performance	Russell Analysis
Columbus Circle	Growth	--	The manager focuses on earnings momentum and has positioned the portfolio more defensively due to economic concerns, this has proved to be very beneficial. Momentum was punished by the market during the quarter and the manager performed in line with its benchmark. Stock selection in consumer discretionary was positive, particularly positions in Wal-Mart, which benefited from the consumer trading down. However, this was offset by negative stock selection in technology.
Cornerstone	Growth	--	Cornerstone focuses on identifying under-appreciated companies with high growth, a factor that was out of favour during the period. Investors were fearful of lower future earnings growth and avoided higher-growth stocks because of their potential to have earnings estimates downgrades. Stock selection in the technology sector was the main detractor, in particular their position in MEMC Electronics.
Institutional Capital Corporation	Value	++	During the quarter, the manager underperformed primarily due to stock selection in health care. ICAP focuses on undervalued high-quality companies, such as Wyeth was the largest detractor, as negative drugs news and investor risk aversion caused this stock to fall significantly during the quarter
JS Asset Management	Value	--	JS was the worst performer as deep value processes were heavily impacted by increased risk aversion and unprecedented scenario risk.
MFS Institutional Advisors	Value	++	The manager outperformed the Russell 1000 Index, despite underperforming its own benchmark. MFS emphasises attractively valued, high-quality companies and missed out on a number of bank stocks such as JP Morgan and Wells that rose during the period after announcing better-than-expected quarterly profits. Due to continued sub-prime related uncertainty within financial services, the manager has been avoiding this sector.
Montag & Caldwell	Growth	Flat	Montag outperformed the Russell 1000 Growth Index notably and performed in line with the Fund benchmark. The manager holds Procter & Gamble as part of its focus on companies with strong business models and earnings consistency. The world's largest consumer product company rose during the period after it posted higher-than-expected quarterly profits. Stock selection in financial services also contributed positively.
Select Holdings	"Best" Ideas	--	Underperformance was mainly attributable to negative stock selection technology, financial services and health care.
Sound Shore	Value	++	Sound Shore invests in stocks and industries where investor expectations are low and there are opportunities for improving valuations. This approach has led to an underweight exposure to sub-prime financial services. The manager held positions only in those companies it deemed to be unfairly punished. However, the severely negative sentiment in this sector has caused these holdings to fall further and this detracted meaningfully during the quarter.
Suffolk Capital Management	Market - Oriented	--	The market-oriented manager under performed during the quarter, primarily due to stock selection in other energy and Financials. The manager held insurance-giant AIG which was bailed out by the US government during the dramatic financial contagion in the mid-September sell-offs and this significantly detracted from performance.
Turner Investment Partners	Growth	--	The Fund's most aggressive growth manager significantly underperformed, with stock selection in technology being the largest detractor. Investors' risk appetite fell sharply to avoided momentum and higher growth stocks. This concern was underlined by Apple, which fell heavily on speculation that changes in consumer spending would affect product sales.

**Sector Analysis**



**Top Ten Holdings**

Company Name	Country	Sector	Fund %	Benchmark %
Hewlett-Packard Co.	United States	Technology	2.4	1.0
JPMorgan Chase & Co.	United States	Financial Services	2.0	1.4
The Coca-Cola Company	United States	Consumer Staples	1.9	1.1
Cisco Systems, Inc.	United States	Technology	1.8	1.1
QUALCOMM, Inc.	United States	Technology	1.7	0.6
Goldman Sachs Group, Inc.	United States	Financial Services	1.6	0.4
Google, Inc.	United States	Technology	1.6	0.8
Wal-Mart Stores, Inc.	United States	Consumer Discretionary	1.6	1.2
PepsiCo, Inc.	United States	Consumer Staples	1.5	1.0
CVS Corp.	United States	Health Care	1.5	0.4

**Portfolio Profile Characteristics**

Profile Characteristics	Fund	Benchmark
Sector Deviation	7.06	0.00
Market Cap Weighted Nlog	0.01	0.00
Valuation Characteristics:		
Price/Earnings (excl negative earnings)	16.34	15.47
Dividend Yield (%)	1.65	2.12
Price/Book	2.47	2.43
EPS Growth (1 Year Forecast)	16.47	13.27

	One Year		Three Years		Five Years	
	Fund	Average Manager	Fund	Average Manager	Fund	Average Manager
Tracking Error	3.4	7.8	2.4	6.3	1.9	5.5

* Manager Attribution Key	Relative Performance vs Fund Benchmark	Manager	Manager's Benchmark
++	>1.0%	Arnhold and S. Bleichroeder	Russell 1000 Index
+	0.3% to 1.0%	Columbus Circle	Russell 1000 Growth Index
Flat	-0.3% to 0.3%	Cornerstone	Russell 1000 Growth Index
-	-1.0% to -0.3%	Institutional Capital Corporation	Russell 1000 Value Index
--	<-1.0%	JS Asset Management	Russell 1000 Value Index
		MFS Institutional Advisors	Russell 1000 Value Index
		Montag & Caldwell	Russell 1000 Growth Index
		Select Holdings	Russell 1000 Index
		Sound Shore	Russell 1000 Value Index
		Suffolk Capital Management	Russell 1000 Index
		Turner Investment Partners	Russell 1000 Growth Index

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