

GLOBAL EMERGING MARKETS Fund

(Traditional Funds plc)
UCITS III GLOBAL EMERGING MARKET EQUITY

S&P RATED
AAA

Manager Commentary – by Global Emerging Markets Team

A raft of stronger PMIs and the EU endorsement of Greece's plan to reduce its fiscal deficit led to an initial rally at the beginning of the month. Relief was short lived however as it became clear that the endorsement was going to be no more than that and, with no financial commitment or explicit guarantee, the yield on Greek government bonds reached 10 year highs and contagion spread to Portugal and Spain. The "risk off" trade that we'd seen through most of January resumed with a vengeance, favouring dollar over euro, defensives over cyclicals & financials and cash over everything. MSCI EMF was down over 4% by the second week of the month. From there however markets began to recover their losses on dovish comments from the Fed and a move up in commodity markets.

Emerging markets rose 0.35%, underperforming the 1.8% rise in MSCI World. The GEM fund fell 1.36% hit by the underperformance of tech stocks in North Asia, an underweight position in Brazil and poor stock performance in South Africa, Russia, China and Mexico.

Latin America recovered some of its losses from last month (+4.2%) as both Mexico (+4.3%) and Brazil (+4.5%) outperformed. Mexico was buoyed by improving activity data and the relative strength in the US market, while the late month rally in commodities boosted stocks in Brazil and triggered a 5% rally in the currency. The fund remains overweight the Mexican market where we see attractive valuations and expect GDP growth this year to come in well ahead of current consensus estimates.

EMEA (-2.9%) was the worst performing region this month hit by Greek related woes as well as political instability in Turkey. Turkey (-12.4%) was the weakest market in the asset class as strong industrial production and rising inflation furthered the case for imminent rate hikes and the arrest of over 30 military officers who were charged with plotting the alleged 2003 coup raised the stakes in the growing power struggle between the ruling AKP and the military. The fund had reduced its exposure to Turkey following a strong run in January and is currently neutral the market.

Asia was flat for the month, but performance within the region was mixed. China (+2.2%) outperformed as inflation fears, which have dogged the market for the past few months, were somewhat alleviated by a lower than expected inflation reading (Jan CPI fell from 1.9% to 1.5%) and a softer PMI print. Thailand rose 4.3% and the Philippines +5.7%, the latter in anticipation of the first presidential elections for 6 years which will be held on May 10th. However, North Asian markets struggled (Taiwan -3.7% and South Korea -0.7%) as tech underperformed. We remain constructive on the tech cycle, and added to the fund's exposure over the course of the month.

The first two months of the year have proved extremely challenging and the fund's performance has been very disappointing. Volatility has been acute even by recent standards and rotation between sectors vicious. While fiscal crises, heavy debt issuance and the gradual tightening of monetary policy in both developed and emerging economies mean that markets are likely to remain unsettled for the next few months, the sell off year to date combined with earnings upgrades following Q4 results and strong macro data leaves valuations at attractive levels. Conviction in our core positions at a stock, sector and country level is high and we remain fully invested.

Fund Performance to 26 Feb 2010

	NAV Per Share	1 Month	YTD	1 Year Fund	1 Year Index	3 Year Fund	3 Year Index	5 Year Fund	5 Year Index	Since Inception Fund	Since Inception Index
\$ Acc Class	\$13.15	-1.35%	-7.59%	+86.00%	+91.63%	+15.86%	+11.89%	-	-	+31.50%	+28.01%
\$ Dbn Class	\$42.01	-1.36%	-7.59%	+85.92%	+91.63%	+15.36%	+11.89%	+90.28%	+78.78%	+313.76%	+272.44%
€ Acc Class	€19.67	+1.03%	-2.67%	+73.30%	+79.15%	+12.02%	+8.81%	-	-	+96.70%	+85.18%
€ Dbn Class	€33.06	+1.01%	-2.71%	+73.26%	+79.15%	+12.03%	+8.81%	+85.63%	+74.20%	+239.38%	+205.67%
£ Dbn Class	£43.12	+4.23%	-1.84%	+74.74%	+80.45%	+48.69%	+44.05%	+140.91%	+125.66%	+335.37%	+291.26%

Source: Northern Trust IFAS (Ireland) Ltd., Morningstar. Above rolling returns are cumulative. Refer to back of the monthly newsletter for monthly/ annual returns. Note: The fund had special valuations on 31.12.08 and 31.08.09 although these were not dealing days. N.B. Historical performances for distribution share classes may vary from previous issues of the Nevsky 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.

Fund Objective

The fund aims to achieve capital appreciation through investment primarily in global emerging market countries.

* these classes will apply for distributor status annually.
** 20% of any absolute outperformance of the MSCI Total Return Series Emerging Markets Free Index, with a high watermark.

NEVSKY
CAPITAL



Fund Size (Mn)

\$2,959.4
US \$ (base) /€£ (unhedged)
Launch Price
Launch Date

Minimum

Dealing
Domicile
Listing
Legal Status
Unit Type

Charges

Initial Charge
Management Fee
Performance Fee

Investment

Manager
Sub-Distributor
Custodian

Administrator

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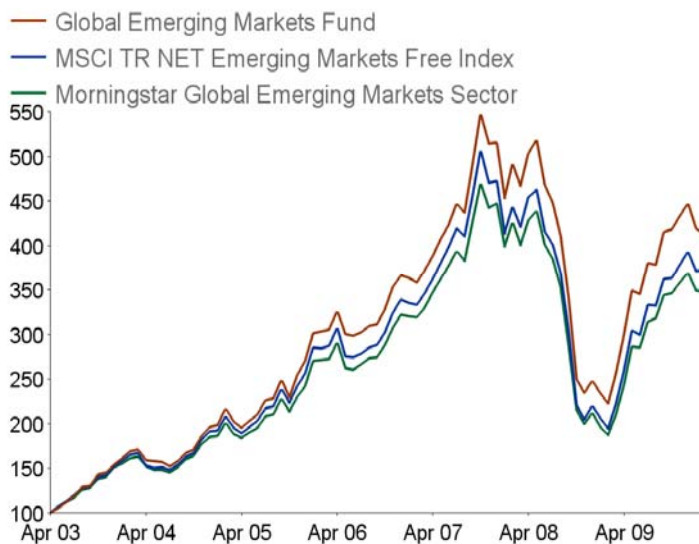
**S&P RATED
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Geographic Allocation Exposure as % of Fund NAV

	Fund	Index	Relative
Brazil	16.3	16.5	-0.1
Chile	0.9	1.5	-0.6
China	18.8	17.8	1.0
Colombia	-	0.7	-0.7
Czech Republic	0.3	0.4	-0.1
Egypt	0.1	0.6	-0.5
Hungary	0.6	0.5	-
India	6.1	7.6	-1.5
Indonesia	2.6	2.0	0.7
Israel	2.1	3.0	-0.9
Malaysia	1.7	2.8	-1.1
Mexico	5.2	4.5	0.7
Morocco	-	0.2	-0.2
Peru	0.7	0.6	0.1
Philippines	-	0.4	-0.4
Poland	0.3	1.2	-1.0
Russia	7.2	6.5	0.7
South Africa	5.9	6.9	-0.9
South Korea	14.5	12.7	1.8
Taiwan	11.4	10.8	0.6
Thailand	1.7	1.4	0.3
Turkey	1.4	1.4	-
Other EMEA	1.5	-	1.5
Other Latam	0.1	-	0.1
Cash	0.5	-	0.5
Total	100.0	100.0	

NAV per share Price performance 30.04.2003 To 26.02.2010*

(rebased to \$100)



* Although the official launch was 4th April 2003 the fund did not reach its target level of investment until the end of the month. Source: Morningstar

Sector Allocation %

	Fund	Index
Consumer Discretionary	9.2	5.8
Consumer Staples	3.6	5.7
Energy	15.2	14.4
Financials	24.7	23.9
Health Care	2.0	2.4
Industrials	4.1	6.9
Information Technology	14.9	13.1
Materials	12.8	15.1
Telecommunication Services	10.3	9.0
Utilities	2.5	3.7
Cash	0.5	-
Total	100.0	100.0

\$ Statistics

Annualised Return	+23.3%
Volatility (Standard Deviation)	25.2%
Information Ratio	0.51

Note: NAV per share monthly return calculated net of fees.
Benchmark: MSCI TR Series EMF Free Index. Source: Northern Trust IFAS (Ireland) Ltd, Bloomberg, Pertrac

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Please note that the performance prior to January 2007 was generated by the Global Emerging Markets team within Thames River Capital LLP and its predecessor Thames River Capital (UK) Ltd. The funds have been managed since inception by the same emerging markets team as constituted from time to time.

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