



## CAUTIOUS RETURN FUND

### INVESTMENT UPDATE as at 30 April 2012

#### INVESTMENT OBJECTIVE

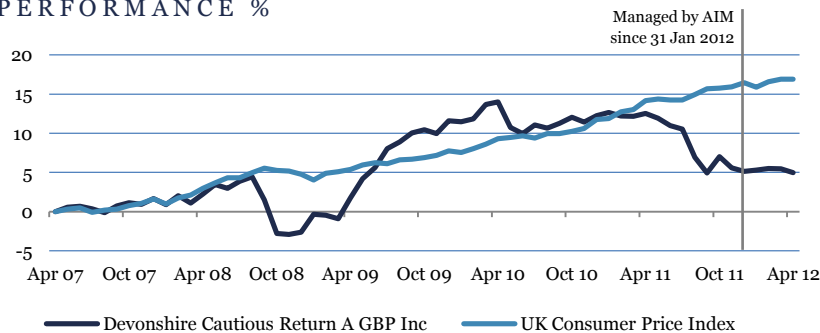
The objective of the Fund is to produce a positive return over the long term, regardless of market conditions by investing primarily in interest bearing assets and related derivatives.

#### FUND STRATEGY

- Targets Cash +2% p.a over a market cycle.
- Use of both passive and active strategies to mitigate costs.
- Use of foreign currencies to augment returns and increase diversification.

We believe the low risk and moderate return and yield target can be met more effectively through a range of different bond strategies rather than a single manager with a particular skill set. By making use of ETFs, absolute return fixed income funds and a range of other funds, we believe the suggested model could deliver much better risk adjusted returns over the long term, and benefit from benefits in potential distribution. The proposed strategy has more flexibility and absolute return focus than a typical strategic or flexible bond fund. Strategic & Absolute Return bond managers often have their performance driven by one call (long duration or short). If you have faith in a single manager to make this call over the long term, there is nothing fundamentally wrong with the approach. We believe our suggested approach may be a more appropriate strategy to achieve the steady returns that risk averse investors are looking for.

#### PERFORMANCE %



Source: Lipper IM. Past performance is not a guarantee to future returns.

#### DISCRETE ANNUAL PERFORMANCE TO QUARTER END %

To 31 Mar	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
	1.9	-2.0	14.7	-1.3	-6.0

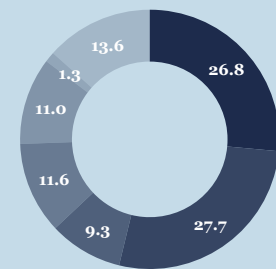
#### DISCRETE MONTHLY PERFORMANCE %

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2012</b>	<b>0.2</b>	<b>0.2</b>	<b>-0.1</b>	<b>-0.4</b>									<b>-0.2</b>
2011	0.3	-0.4	0.0	0.3	-0.5	-0.8	-0.4	-3.3	-1.9	2.0	-1.4	0.8	-5.2
2010	-0.1	0.3	1.7	0.3	-2.9	-0.7	1.0	-0.4	0.6	0.7	-0.5	0.7	0.6
2009	2.4	-0.2	-0.5	2.7	2.5	1.4	2.3	0.8	1.0	0.4	-0.5	1.5	14.6
2008	-0.8	1.2	-0.9	1.1	1.2	-0.5	0.9	0.6	-2.8	-4.2	-0.2	0.3	-4.2
2007	0.8	-0.1	0.5	0.8	0.6	0.1	-0.3	-0.5	0.9	0.4	-0.3	0.8	3.6

Source: Lipper IM. Past performance is not a guarantee to future returns.  
Figures in bold represent the time period AIM have been managing the portfolio.

#### ASSET ALLOCATION (%)

Absolute Return Funds	26.8
Strategic Bond Funds	27.7
Inflation Linked	9.3
High Yield	11.6
Emerging Market	11.0
Loans	1.3
Cash	13.6



#### HOLDINGS (%)

<b>Strategic Bond Funds</b>	<b>27.7</b>
M&G Optimal Income	8.2
Investec Strategic Bond Fund	6.2
Newscape Strategic Bond Fund	7.2
TwentyFour Dynamic Bond	6.0
<b>Inflation-Linked</b>	<b>9.3</b>
Fidelity Global Inflation Linked Bond	9.3
<b>High Yield</b>	<b>11.6</b>
Muzinich Short Duration High Yield	11.6
<b>Emerging Market Debt</b>	<b>11.0</b>
Investec Emerging Market Debt	6.9
Templeton Asian Bond Fund	4.1
<b>Absolute Return Funds</b>	<b>26.8</b>
Ignis Absolute Return Government Bond	9.5
BlackRock Absolute Return Bond	6.2
PIMCO Credit Absolute Return	4.3
Kames Absolute Return Bond	6.7
<b>Loans</b>	<b>1.3</b>
NB Global Floating Rate Income Fund	1.3
<b>Cash</b>	<b>13.6</b>

#### PERFORMANCE (%)

3 Months	-0.3
Year to Date	-0.2
1 Year	-6.7
3 Years	3.2
5 Years	5.0

Source: AIM and Lipper IM.



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### FUND MANAGER COMMENTS

Markets turned negative during April with European politics and a softer patch of US economic data unnerving investors. A likely change of president and policy in France, combined with the collapse of the Dutch coalition, served as a reminder of how fragile sentiment remains. Within bond markets Spanish, Italian and French 10-year bond yields continued to widen, while German and UK yields contracted. The FTSE A British Govt All Stocks index rose 0.4% in sterling total return terms, compared to a 0.4% loss from the Markit iBoxx Sterling Corporates index.

The Cautious Return Fund fell 0.4% in sterling, total return terms during the month.

Weaker returns from the PFS TwentyFour Dynamic Bond Fund and those funds exposed to emerging market currencies, such as the Investec Emerging Markets LC Debt and Templeton Asian Bond funds, were a drag on performance. On the positive side, the Muzinich Short Duration High Yield and Newscape Strategic Bond funds continued to perform well.

In April we invested in the PIMCO Credit Absolute Return fund. This fund draws on the large research resources of PIMCO and aims to deliver positive returns in all market conditions. It will do this by investing in undervalued corporate bonds with strong fundamentals and shorting (betting against) overpriced credits.

### LEAD MANAGERS



Dr Ana Cukic Armstrong is joint managing partner of AIM. She previously worked as co-head of Insight Investment's Multi-Asset Group, head of portfolio construction at UBS and as an analyst at Fischer Francis and Coutts. Ana has a PhD and an MBA from Imperial College.



Patrick Armstrong is joint managing partner of AIM. He previously worked as co-head of Insight Investment's Multi-Asset Group, head of manager selection at UBS and as an equity analyst at Deutsche Bank. Patrick has an MBA from the Rotman School of Management and is a Chartered Financial Analyst.

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### FUND FACTS

Fund size:	£23.5m
Minimum initial investment:	£10,000
Minimum additional investment:	£10,000
Minimum withdrawal:	£5,000
Initial charge:	up to 5%
Annual management charge:	1.5%
Status:	OEIC
Launch date:	15 March 2006
Type of unit:	Distribution
Base currency:	Sterling
Dividend declaration dates:	31 Mar, 30 Jun, 30 Sept, 31 Dec
ISIN:	IE00B0SYHV36
SEDOL:	BOSYHV3
Bloomberg ticker:	DYNSCRA ID
Duration:	3.1 years
Average credit quality:	A

### ADMINISTRATOR

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