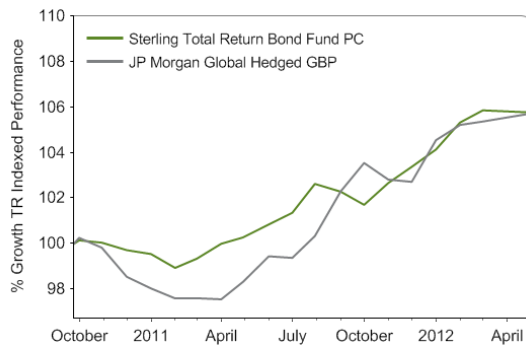


Sterling Total Return Bond Fund PC

Investment objective

The Fund's objective is to achieve long-term total return from a combination of interest income, capital growth and currency appreciation by investing in debt securities on a global basis.

Performance



Growth (%)	Fund	*Benchmark
YTD	1.57	1.12
1 Yr	5.48	7.52
since launch	5.78	5.73

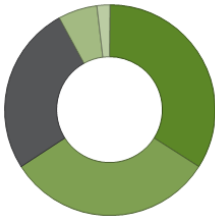
NB: The Fund was previously known as the Sterling Managed Income which launched on 01/01/1995, changed its name, benchmark and strategy on 23/09/2010. For investors seeking past performance of the Sterling Managed Income Fund contact your Ashburton Representative or log on to www.ashburton.com/performance.

*Benchmark: JP Morgan Global Hedged GBP
Source: Morningstar

Strategy

Asset Allocation (%)

34	Bonds - Corp
32	Bonds - Govt
26	Cash
6	F/R Notes
2	Bonds - I/Linked

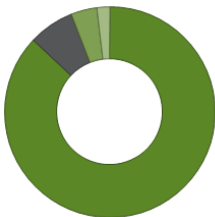


Geographical Weightings (%)

	EUR	US	UK	JPN	ASIA	OTHER
Bonds - Govt	8	12	-	-	-	12
Bonds - Corp	3	17	14	-	-	-
Cash	-	-	26	-	-	-
F/R Notes	1	-	5	-	-	-
Bonds - I/Linked	-	-	-	-	-	2

Currency Weightings (%)

87	UK
7	Others
4	N America
2	Asia



Largest Holdings

Top 10 Bonds	%		%
Germany(Fed Rep) 1.250% 10/16	4.92	Qatar(State Of) 6.550% 04/19 Reg	2.97
Korea Rep 7.125% 04/19	4.70	Republic Of Turkey 7.500% 07/17	2.94
Muzinich Fund America Yield Hedg	4.45	Psa International 3.875% 02/21	2.65
Mex Bonos Desarr 6.5% 10 Jun 2021	4.41	South Africa(Rep Of) 5.250% 05/13	2.61
Malaysian Government 4.012 15/09/2017	3.02	Temasek Finl I Ltd 5.125% 07/40	2.54

Fund Facts



Head of Asset Allocation
Tristan Hanson

Launch Date	23/09/10
Fund Size	£48.90m
Fund Currency	GBP
Sell Price	6.0279
Buy Price	6.2389
Yield	2.2400
Minimum Investment	£10,000 or foreign currency equivalent
Initial Charge	3.5%
Annual Mgmt Fee	0.5%
Total Expense Ratio	1.11%
Dealing Day	Daily
ISIN No	GB0000492859
Sedol No	0049285
Dividend Policy	Distributor
Dividend Distribution Dates	15 January, April, July and October
Manager	Ashburton Fund Managers Limited
Investment Manager	Ashburton (Jersey) Limited
Custodian	RBC Fund Services (Jersey) Limited
Reporting Fund	Yes
FSA Recognised	Yes
ISA/PEP Eligible	Yes
Authorised For Public Sale In	Jersey, Guernsey, UK, Sweden, Australia and South Africa

Regulation:
Collective Investment Funds (Jersey) Law 1988 (as amended). Operated in accordance with C.I.F. (Recognised Funds) (Rules) (Jersey) Order 2003. (UK FSA Recognised under section 270 of the UK Financial Services & Markets Act 2000).

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Commentary highlights

- The major government bond markets posted positive returns during April (c. 0.6% in local currency terms). Our Sterling and Dollar Total Return Bond Fund underperformed and fell -0.33% and -0.13% respectively.
- Gilts rallied into the first half of the month following a surprise drop in GDP (-0.2% versus an expected +0.1%) during the first quarter, which officially put the UK back into recession.
- Despite the aforementioned bund yield hitting new lows, our view on the major government bond markets has not changed and we believe these are still overvalued at this juncture.

A member of the FirstRand Group

Sterling Total Return Bond Fund PC

Commentary

Review

The major government bond markets posted positive returns during April (c. 0.6% in local currency terms). Our Sterling and Dollar Total Return Bond Fund underperformed and fell -0.33% and -0.13% respectively. The strength in sterling throughout April was a major contributor to the disparity in performance between the two Funds.

FOMC minutes dashed market hopes of a third round of quantitative easing, with more members moving away from QE3 support as they see the improving U.S. economy reducing the need. The Central Bank also confirmed its plan to keep rates near zero until late 2014. However, they have upgraded their growth forecasts, which suggests interest rates could rise sooner than expected. US Treasuries rallied after weaker than expected employment data.

The Independent Treasury Economic Model club (ITEM) warned that the threat of an oil price spike is on par with the Eurozone debt problems. It indicated that the UK will face rising unemployment, higher inflation and a slowing economy if Middle East tensions lead to oil hitting \$150 a barrel. Gilts rallied into the first half of the month following a surprise drop in GDP (-0.2% versus an expected +0.1%) during the first quarter, which officially put the UK back into recession. 10 year yields backed up, slighting towards the month end, but still finished April lower at just over 2.1%

European corporates borrowed more from the markets than from banks in the first quarter of the year, accentuating the shift of access to capital. Data showed that Spain was also officially back in recession whilst S&P downgraded the sovereign from A to BBB - on concern that further support for their banks would be required as the economy contracts. Ten year borrowing costs have increased by 70bp this year. Elsewhere in Europe, election polls indicating that Socialist candidate Hollande was likely to win the French presidential elections (which was confirmed at the time of writing) did little to help sentiment. 10 year bund yields hit an all time low during April at 1.66%.

Activity

We did not make any changes to strategy during April for our Total Return Bond Funds.

Outlook

At the time of writing, concerns over the European sovereign debt crisis are once again very elevated following elections over the weekend, with Francois Hollande assuming the French presidency and a Greek election result failing to support a coalition between the two traditional parties that agreed the latest EU bailout. Moreover, the outlook for Spain appears bleak as unemployment and loan losses increase. In the US, sentiment with regard to the growth outlook has deteriorated following two months of jobs data that disappointed the market and concerns are rising over fiscal consolidation in 2013. In China, investors continue to wait for signs that the worst of the growth slowdown is over.

Our views have not changed, as reflected in very limited trading activity. We believe US growth is sustainable in the range of 2% to 2.5%, although the fiscal situation poses a material risk. As we wrote last month, we believe the recent fears over Chinese growth will subside over the coming 6 months or so, if not sooner. In Europe, conditions will remain very difficult but equity markets are now trading materially lower than at the end of March.

Despite the aforementioned bund yield hitting new lows, our view on the major government bond markets has not changed and we believe these are still overvalued at this juncture. We continue to focus our strategy on exposure to corporate bonds, where we see a much better risk/reward proposition and also emerging market exposure.

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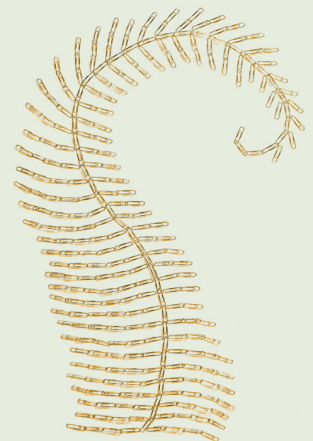
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The way we see things



Sterling Total Return Bond Fund PC
Fern created using 221 black paperclips.

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