



Report date June 2011

CAZENOVE INTERNATIONAL FUND - EUROPEAN (EX-UK) FUND

Sub-fund of Irish domiciled open-ended investment company

Fund owner: Cazenove

Fund manager/adviser: Cazenove Capital Management

Named portfolio manager/adviser(s):
Chris Rice (since launch), Steve Cordell (since launch)

Peer group: European Mainstream ex UK Equities

Location: London

Launch date: May 2004

Fund size (February 2011): €150.8m

Contact group: +44 20 3479 0020 or www.cazenovecapital.com

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Performance statistics

	Three years
Fund	1.4%
Standard & Poor's peer median	-3.8%
Index**	-3.6%
Fund rank	91/324

Note: returns are cumulative

Three-year risk characteristics

Maximum monthly drawdown (%)	-10.0
Volatility	17.9
Correlation	1.0
Beta	0.8

Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2011 Lipper Inc. All rights reserved. All statistical data on this report has been run to 31 January 2011 on NAV to NAV basis, with gross income reinvested, in EUR.

Standard & Poor's opinion (May 2011)

The fund is the responsibility of Chris Rice who heads the European team and is part of a group of business-cycle investors who have worked together for over 12 years. He joined Cazenove in 2002 along with Steve Cordell - and recent departee Tim Russell - the three having previously worked together at HSBC. Additional resources have been subsequently added to the team but the approach remains firmly in place.

The broad framework is set by Rice and Cordell, who manage the European product range. Each of the managers has some flexibility over the strength of view while all three have discretion over stock selection.

Although the longer-term track record of this European ex UK equities mandate remains solid - it is top quartile on a five-year view, over 12 percentage points ahead of the peer median - the last two calendar years have been disappointing as Rice continued to adopt a defensive, sub-market beta stance. To his credit, he has attempted to be more pragmatic in his portfolio construction in response to a market that has been very focused on emerging markets-related earnings plays which have not followed the anticipated path given a typical business cycle. Despite staying true to his philosophy, this has yet to be fully rewarded.

The fund's recent poor performance does place the rating under pressure, but the strength of the established process, the longer-term track record and experience of the team ensure retention of the S&P AAA rating.

Fund manager & team

Chris Rice heads Cazenove's pan-European equity team of five manager/analysts. He has worked with senior colleague Steve Cordell since 1997 when they were both at HSBC. The team manages long-only and hedge fund mandates.

Rice and Cordell are supported by three dedicated European analysts who joined the team in 2005 (two) and late 2009. Lionel Rayon has 18 years' investment experience, Morten Herholdt and the recent recruit, Kuldip Shergill, have 10 years' each.

Chris Rice - finance (Salford University), MPhil monetary economics (Glasgow University), started his investment career at Scottish Amicable in 1991. He moved to HSBC in 1997, where he became head of the European desk. He joined Cazenove in December 2002.

Steve Cordell - modern languages (Oxford University), worked with Midland Montagu European corporate banking and Trinkhaus & Burkhardt's credit risk department, before joining HSBC's UK asset management team in 1993. He joined HSBC's Europe team in 1998, then moved to Cazenove at the end of 2002.

Management style

The manager aims to outperform the FTSE Europe ex UK benchmark by 2% net a year.

The investment process has a major top-down element, using macroeconomic analysis and intelligence gathered from brokers and companies to identify the current stage of the business cycle. Rice and his team then tilt the portfolio towards groups of stocks and sectors with particular style characteristics they believe will be favoured in anticipated market conditions.

Stock selection is the second stage of portfolio construction. Each team member has sector analytical responsibilities. Selection criteria favour growth, but with an awareness of relative valuation, often using normalised earnings. Stocks that disappoint are reviewed by another member of the team.

A diversified portfolio of 70-90 stocks is preferred, which tends to be biased towards mid-caps. Maximum tracking error is 8%, but in practice is usually in the 3-6% range.

There are risk constraints at broad sector, industry and stock level of +/-7.5%, 5% and 3% respectively. Large-caps (greater than €5bn) constitute at least 50% of the portfolio, mid-caps (€1bn-5bn) no more than 40% and small-caps (less than €1bn) no more than 10%.

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Portfolio & performance analysis (February 2011)

The overall complexion of the portfolio was little changed from our previous review. From the team's business cycle basis, the fund is currently overweight defensives (both growth and value) which offset the underweights in the remaining segments. Industrial cyclicals were increased in H2 2010 in response to QE2 and to diversify out of the GEM consumer story. The long held underweight to financials was reduced in early 2011, with the team favouring life insurance over banks. The portfolio beta was increased by moving into food and beverage names with some emerging markets exposure such as Campari and Danone but this was subsequently reduced again so that the beta averaged 0.85 during the year.

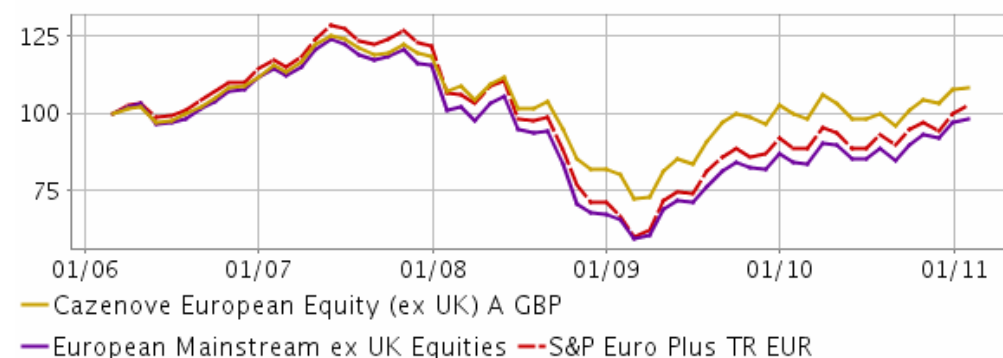
Returns in 2010 were in the lower quartile of our peer group with the sharpest underperformance during Q2 and Q3. Financial positioning hurt across both periods, initially by stock selection (not holding UK banks) and latterly by the underweight. Exposure to GEM-related plays has also been light in the fund and this further exacerbated the underperformance, particularly in H2.

Nevertheless, over the longer term, performance remains reasonably robust. Despite the three-year number just in the second quartile of our peer group, the five-year number remains in the top quartile, driven by a combination of Rice's astute top-down positioning and strong stock selection.

During H1 2008 the fund made little ground against its peer group as the benefit of an underweight position in financials was offset by the avoidance of commodity-related names. However, following the collapse of the oil price in July and the subsequent sharp sell-off of other commodities the fund delivered strong relative returns in H2.

2009 saw underperformance relative to the peer group and benchmark as the team was slow to move away from the defensive stance to benefit from the recovery. The moves that were made were too limited. The largest negative stock contributors included Enagas, Lonza and Vivendi.

Cumulative performance



Discrete performance (calendar years)

	2007		2008		2009		2010		YTD 31/01/2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	6.4	48/277	-30.8	14/324	25.3	262/361	4.6	368/395	0.8	234/415
Index**	6.2		-41.3		29.0		8.4		3.0	
Median	3.6		-41.6		28.9		11.3		1.0	

** S&P Euro Plus EUR

Fund benchmark: FTSE World Europe ex UK

Share class screened: IE00B0189T43 (A GBP)

STANDARD & POOR'S



Portfolio characteristics (1 February 2011)

No. of holdings	78
Turnover ratio (%)	97
% in top 10	31

Asset allocation

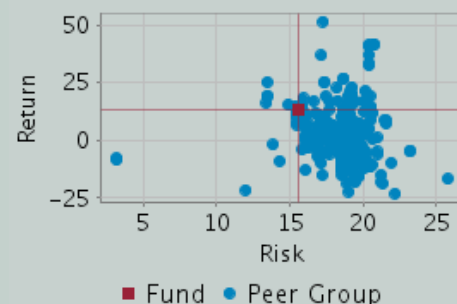
	%
Basic materials	5.7
Consumer goods	13.2
Consumer services	7.9
Financials	23.0
Healthcare	11.7
Industrials	8.6
Oil & gas	4.1
Technology	3.9
Telecommunications	8.2
Utilities	5.8
Cash	7.9

Top 10 holdings

	%
Novartis *	5.1
AXA	3.9
Sanofi-Aventis *	3.4
E.On	3.0
France Telecom *	2.9
Total	2.9
Bayer	2.8
Allianz	2.7
Banco Santander	2.2
Unilever	2.1

* In top 10 holdings a year ago

Risk return over five years (standard deviation)



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Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

Absolute return fund ratings

Specialist fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

Long-term fund management rating LTFMR The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.