

US Dollar Bond Fund

Standard & Poor's
Credit Rating - AA-f
Volatility Rating - S2

Objective

To maximise total return through income and capital gains by investing in medium to high grade USD denominated debt securities with a short to medium term maturity profile.

Investment Policy

The fund will target a weighted average duration of 3.3 years and will enhance returns through sector and credit diversification.

Investment Process

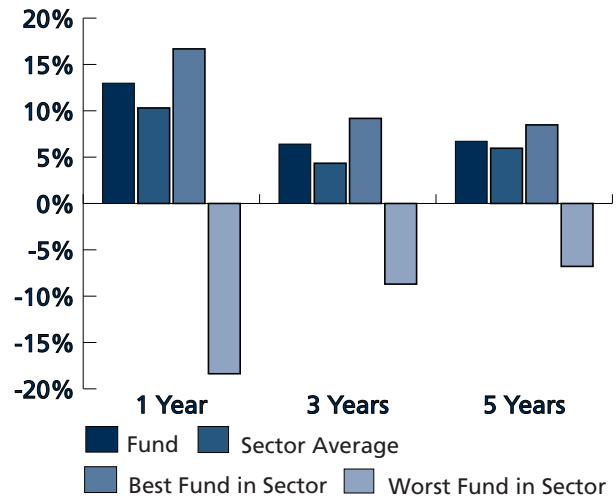
The primary considerations for our fixed income investment choices are liquidity and safety of principal. Our philosophy is to focus on all elements of yield enhancement in order to incrementally outperform the benchmark on a consistent basis.

Fund Review

Five year U.S. Treasury bond yields declined from 4.95% to 3.80% as unprecedented events have driven Treasury yields to a 50 year low. The Fund's benchmark index, the Merrill Lynch 3-5 year AA corporate bond index, increased 5.34% during the quarter and had a duration of 3.53 years. Over the same period the Fund rose 4.25% including dividends and had a duration of 2.65 years. In anticipation of the Fed easing we have kept the duration of the Fund below its' benchmark to try and capture both capital appreciation and income. So far this year we have managed to keep the dividend yield of the Fund at 5.50% but given the steep drop in rates in the aftermath of the terrorist attacks and the likelihood of a U.S. recession we expect this yield to fall below 4%.

During the quarter the Fund invested 5 million dollars into good quality, five to seven year securities yielding 5.5% to 5.89%. Issues such as Tyco 5.875% 2008, AIG 5.65% 2006 and Export Finance 5.75% 2006 were purchased.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
12.01%	5.93%	6.55%	7.02%	6.43%

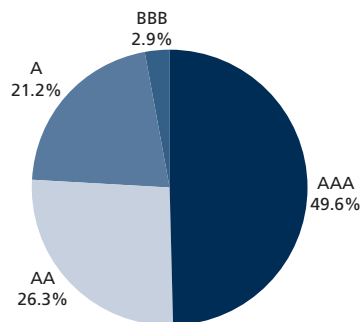
Top 5 Holding

Name	Coupon	Maturity Date	Rating	% of Fund
1. Associates Corp	6.1%	15.01.2005	AA-	5.0%
2. Chase Credit Card	6.194%	15.08.2005	AAA	4.3%
3. Green Tree	7.09%	15.10.2028	AA	4.3%
4. Money Store	7.355%	15.02.2024	A	4.2%
5. Dist. Financial	7.17%	15.03.2018	A	3.9%

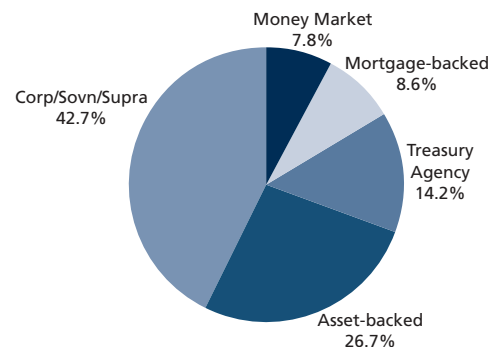
Average Duration and Credit Rating

Duration: 2.7 years
Credit Rating: S&P AA-f
Volatility: S2

Credit Rating



Sector Breakdown



General Information

Currency: USD

Units Available: Income Distribution
(Reinvestment option)

Size of Fund (millions): USD 37.3

Fiscal Year End: June 30th

Min. Investment: USD 1,000

Valuation: Wednesday

Dealings: Thursday

Management Fees: 0.5%

NAV per share (30.9.01): USD 10.43

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