

Thames River Capital
Sub-fund of Dublin IFSC domiciled VCIC; UCITS

Report Issued: July 2004

Peer Group:

Euro Global Emerging Debt

Investment Objective:

Income

Fund Manager:

Michael Mabbutt (since June 2000), Bernt Tallaksen (since June 2000)

Location:

London

Launch Date: June 2000

Fund Size (June 2004):

US\$346m

Fund Benchmark:

JPM EMBI Global hedged in Euros

Group Contact No:

353 1 646 1243

Website:

www.thamesriver.co.uk

S&P ID Number: EM351703

Underlying Share Class:

Euro

For additional share class details

see fund charges.

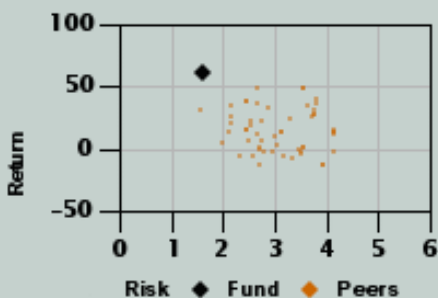


**Standard & Poor's
Fund Management
Rating / Volatility
Rating:AAA/S5**

INVESTMENT STYLE

	Inv Grade	Blend	Sub Inv Grade
Govt			
Corp			
Emerging			

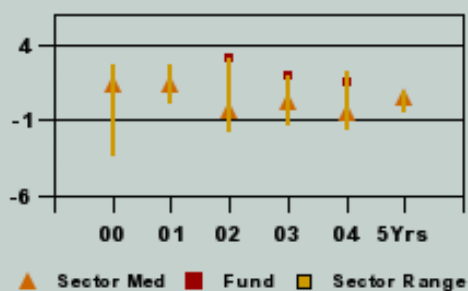
RISK RETURN (STD DEVIATION) OVER 3 YEARS



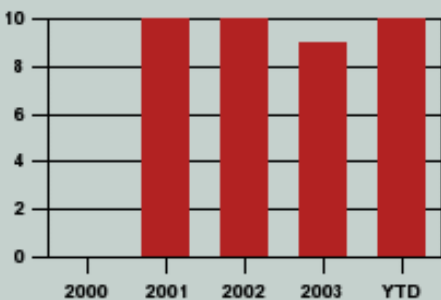
3 YEAR RISK CHARACTERISTICS

Maximum Drawdown %	Low	-2.7
Volatility	Low	5.6
Correlation	Low	0.6
Beta	Low	0.3

SHARPE RATIO VS PEER GROUP



CALENDAR YEAR DECILE RANKS



Decile ranking in annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

STANDARD & POOR'S OPINION (JULY 2004)

Thames River's global credit team has been strengthened during the review period with the appointment of an experienced dedicated economist. This should broaden the team's coverage of sovereign credits and strengthen the managers' conviction when taking a contrary view on the segment. The appointment of an additional distressed debt specialist 18 months ago has worked out well. The managers have made good use of the team's extensive experience in corporate restructuring, with a significant portion of the increased allocation to corporate bonds going into non-paying issues. This took place around July 2003 when the team took the view that spreads on emerging markets debt had fallen too low, and would be vulnerable to rising US rates. As a result the fund produced a robust performance through the sell-off in emerging markets debt during April/May 2004.

The fund is differentiated from mainstream funds within the sector by its emphasis on absolute return and mandate, which allows investment in developed markets credits as well as emerging markets debt. The absolute return focus reflects the team and house style with most of Thames River's managers, including Michael Mabutt and Bernt Tallaksen, having responsibility for alternative investment strategy products.

The support of a high quality team and application of an innovative and effective process have produced a top ranking performance record with low volatility and drawdown over the past three years. Given this the fund's rating has been increased to AAA/S5 rating.

FACT FILE

Group: Thames River Capital is a London-based, independent asset management house offering long-only and hedge fund portfolios in selected asset classes, supported by proven expertise.

Team: The team of five includes two portfolio managers, two distressed debt specialists, and a dedicated economist. Combined assets of \$650m include Thames River High Income and a hedge fund.

Fund Manager: Fund managers Mabbutt and Tallaksen have 12 and nine years experience, respectively, of investing in emerging markets debt.

Style: The fund aims to maximise total return from selecting high yielding and distressed debt, mainly in emerging markets, subject to providing a high income relative to euro participating government bonds.

Performance: Over the three years to 31/05/2004, the fund has returned 61.3%, compared with 14.2% for the sector median and -7.0% for the index, ranking 1/55.

FUND MANAGER & TEAM

The team of five includes two portfolio managers, two distressed debt specialists, and a dedicated economist. Combined assets of \$650m included Thames River High Income and a hedge fund.

Michael Mabbutt - fund manager - BSc statistics (University of Cape Town) has 11 years of emerging market debt (EMD) experience. This includes senior EMD portfolio management roles at LGT Asset Management and Baring Asset Management.

Bernt Tallaksen - fund manager - BBA (California State University) and MBA (University of Chicago) has eight years of EMD experience, including senior analytical roles at CapMAC Investment Management and LGT Asset Management.

Stefan Benedetti - distressed debt analyst - BSc economics (London School of Economics), has eight years distressed debt experience. Prior to joining Thames River Capital, Benedetti worked for Klesch & Company, Charterhouse Bank and KPMG Peat Marwick.

Chris Currington - distressed debt analyst - BBA (York University, Canada) and Chartered Accountant joined Thames River Capital in March 2003. His prior experience included 20 years at Andersen, most recently as a restructuring partner within emerging markets.

PORTFOLIO CHARACTERISTICS

No. of holdings	60
Turnover ratio (%)	N/A
Modified duration (years)	2.4
Portfolio yield(%)	7.2

SOURCES OF RETURN (01/06/04)

	Low Emphasis	Average Emphasis	High Emphasis
Portfolio Duration	██████████		
Credit Spreads			██████████
Country / Sectors			██████████
Yield Curve Positioning		██████████	
Currency Exposure	██████████		
Alt. Fix Income	██████████		
Derivatives	██████████		
Trading Strategies			██████████
Quant. Value Techniques	██████████		

BREAKDOWN BY CREDIT RATING (01/06/04)

	%
AAA	8.0
AA	0.0
A	0.0
BBB	0.0
BB	3.0
B & below	50.0
Debentures	0.0
Unrated Securities	27.0
Cash	12.0

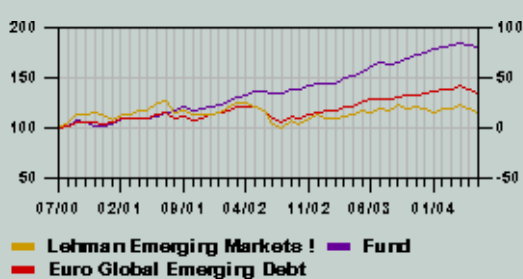
PORTFOLIO EXPOSURE

	Fund	
	Bond	Curr
Developed	29.0	0.0
Cash	12.0	0.0
EMEA	23.0	0.0
Asia	16.0	0.0
Middle East / Africa	20.0	0.0

PERFORMANCE STATISTICS

	3 Years
Fund	61.3%
Standard & Poor's Peer Median	14.2%
Index	-7.0%
Fund Rank	1/55
Annualised Standard Deviation	5.6
Relative Standard Deviation	0.5
Volatility Adjusted Ranking	1/55

CUMULATIVE PERFORMANCE



THAMES RIVER FUNDS - HIGH INCOME FUND €

Report Issued: July 2004

Peer Group: Euro Global Emerging Debt

Standard & Poor's Fund Management Rating / Volatility Rating:AAA/S5

MANAGEMENT STYLE

Fund managers Michael Mabbutt and Bernt Tallaksen aim to maximise total return from the selection of high yielding and distressed debt, mainly in emerging markets, subject to providing a high income relative to the government bonds of euro participating countries. Mabbutt and Tallaksen view risk control primarily as preserving capital and limiting portfolio volatility. This leads them to hold significant cash, at times of uncertainty, and to focus on achieving effective portfolio diversification.

Key to the team's diversification objective is identifying market segments within which securities display similar price behaviour, but

low correlation versus those outside. The managers apply two primary classifications: by type of issue: sovereign or corporate, and paying or distressed; and by investor groups. Neutral targets in relation to the latter are dedicated 40%, crossover 20%, periphery 25% and distressed 15%. The managers typically invest 2-3% in each corporate issue. Given this and the relatively high neutral allocation to distressed debt, the team spends a lot of time on detailed bottom-up analysis.

The fund is managed in dollars before being fully hedged into euros.

PORTFOLIO REVIEW

Since our last review of the fund the portfolio's non-investment grade holdings have increased significantly. Issues rated B and below represented 50% of the portfolio at 1 June 2004 compared with 17% 12 months previously, and unrated securities had risen to 30% from 23%. Mabbutt and Tallaksen began to increase lower grade issues in July 2003 when the team became concerned that sovereign emerging markets debt spreads

had fallen too low and would be vulnerable to rising US rates. On the other hand, the team considered that corporate issues, particularly those currently in default, would benefit from the strengthening economic background. At the review date corporate issues represented 61% of the portfolio compared with 27% in sovereign issues. About 11% of the issues were distressed (mainly corporates). Cash was 12%.

PERFORMANCE ANALYSIS (JUNE 2004)

The fund ranked at the top of the sector over the three years to 1 June 2004. This was achieved from consistent outperformance over each of the past three year calendar years, including top decile performances in 2001 and 2002, and the year to date in 2004. Despite the consistently strong performance, the volatility of returns has been kept at half the level of the sector average and drawdown has also been much lower than the peer group median.

Overall performance success results mainly from tactical trading in sovereign debt in 2001 and 2002, and Russia and Brazil were particularly successful, along with holdings in the periphery category including Grenada and El Salvador. From mid 2003 and the year to date in 2004 corporate issues have represented a growing source of value added. The fund's allocation to the distressed category played a more important role in maintaining positive absolute returns during the testing market conditions experienced in 2004.

DISCRETE PERFORMANCE (CALENDAR YEARS)

	2000		2001		2002		2003		YTD 31/05/2004	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/	18.1	2/52	17.5	1/57	24.3	11/60	0.9	3/62
Index*	21.4		7.0		-4.8		5.6		0.1	
Median	11.8		8.8		1.0		14.9		-1.9	

* Lehman Emerging Markets

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