

Monthly Performance Update

Dexia Sustainable Global Equity Fund



CERTIFIED BY RIAA

July 2010

Market Comment

We continue to expect a sustained - but uneven - global recovery; led by Asia, and with Europe showing positive (but more modest) growth. US housing activity has fallen back with the expiry of tax incentives, while for China the tightening of credit availability is likely to hit construction and investment. Additional constraints for growth come from fiscal tightening announced in France, Germany, the UK and Japan. Moreover, credit availability remains poor for many industrial countries, and the recent tightening in financial conditions adds an extra constraint.

As a result, we expect that the quarterly GDP growth across industrial countries will fall back to around trend in the second half of this year, after three quarters of modestly above trend growth.

Rather than double dip in the next few quarters, the more plausible risk is of an extended period of relatively sluggish industrial country growth, capped by poor credit availability, fiscal consolidation and high public debt.

Fund Comment

Top three contributors this month included Autodesk, Intesa Sanpaolo SPA and United Parcel Service.

Autodesk, an overweight position in the IT sector thanks to its good Solvency, Profitability and Analyst Sentiment scores, announced the acquisition of Illuminates Labs, a Swedish manufacturer of lighting technology for game development. According to Autodesk's VP Games, "Illuminate Labs' lighting technology and workflow tailored to game development are some of the most advanced in the industry".

Intesa Sanpaolo, an overweight position in the Financials sector thanks to its good Valuation and Capital Spending Discipline scores, passed the European Union-wide stress tests. Following this, several analysts upgraded their outlook on the stock.

United Parcel Service, an overweight position in the Industrials sector thanks to its good Analyst Sentiment and Financial Strength scores, jumped after it raised its annual profit forecast and said the U.S. economy will continue to recover.

Three positions detrimental to relative performance in July were Smith & Nephew, Banco Santander and Telefonica.

Smith & Nephew, an overweight position in the Healthcare sector, thanks to its good Solvency and Momentum/Technical scores, came under pressure as some of its competitors reported lackluster sales numbers. Figures also suggested that US hospitals were successfully negotiating lower prices for orthopedic devices, which could erode the company's profit margins. Furthermore, the company's stock price target had been cut by S&P Equity Research on continuing pressure coming from austerity measures in the EU and the implementation of healthcare reform in the US.

Banco Santander, a stock in the Financials sector we do not hold because of its sub-par Growth Potential and Valuation scores, stated that although second-quarter profit fell 8 percent following a drop in earnings in its home market, growth in Brazil remained strong.

Telefonica, a stock in the Telecoms sector we did not hold due to its poor Earnings Reliability and Operating Efficiency scores, increased its profit by 9.4 percent in the first half of 2010.

Performance* (as at 31st July 2010)

	Portfolio%	Benchmark**%	Value Add%
One Month	0.63	0.87	-0.24
Three Months	-3.15	-2.93	-0.22
One Year	-0.05	0.87	-0.92
Three Years p.a.	-10.93	-10.15	-0.77
Five Years p.a.	-3.21	-2.56	-0.65
Since Inception p.a. Date: Nov 2002	-0.39	-0.41	+0.03

* Before Fees and Taxes ** MSCI World (net divs reinvested)

Top 10 Holdings (as at 31st July 2010)

Holding	Country	%
Tyco	Switzerland	2.51
Autodesk	United States	2.11
eBay	United States	1.96
VISA	United States	1.96
Synopsys	United States	1.95
UPS	United States	1.95
Procter & Gamble	United States	1.87
Nucor	United States	1.86
Nestle	Switzerland	1.66
Rio Tinto	United Kingdom	1.44

Fund Information

Style	Core / Neutral
Benchmark	MSCI World (net dividends reinvested) in A\$
NAV Calculation	Daily
Currency Risk	Unhedged

Dexia AM's sustainable management philosophy seeks to generate outperformance from two distinct sources. The first source is derived from identifying risks and opportunities linked to social, environmental and governance issues that are often out of the scope of traditional financial analysis but which can have a significant impact on long-term performance.

The second source results from detailed quantitative analysis of the sustainable universe coupled with a risk controlled portfolio construction process. Sector, region and style biases in the portfolio are minimised to ensure stock specific factors drive portfolio performance rather than predetermined investment themes.