

# Take Note

## PACIFIC BASIN EQUITY FUND (FRIC) – MANAGER CHANGE

We have improved the manager line-up in the FRIC Pacific Basin Equity Fund (the Fund) by replacing APS with Rexiter Capital Management Limited and Legg Mason Asset Management (Asia).

### Changes to the fund

In December 2005, Russell replaced APS with Rexiter and Legg Mason in the Fund.

### Reasons for the changes

The managers have been added primarily to enhance the Fund's ability to meet its performance target. Rexiter and Legg Mason are both high conviction managers that were added to Russell's 'buy' list in the second quarter of 2005.

Legg Mason is less benchmark sensitive than most of the incumbent managers and will try to reap higher returns through more aggressive stock positions.

### Who is Rexiter and what is its investment process?

London-based Rexiter is an investment boutique that focuses purely on Asia ex Japan and global emerging markets. The firm is 75% owned by State Street Global Alliance with the remaining 25% owned by the employees. Four of the senior investment professionals have worked together since 1989 and moved *en masse* from Kleinwort Benson to set up Rexiter in 1997. Chris Vale is the Asia CIO and head of the team, although there is a team-based approach for making decisions. Vale reports to Kenneth King, Rexiter's Managing Director who helped set up the firm's unique approach to investing in emerging markets while at Kleinwort Benson.

Rexiter employs an active, fundamental Growth at a Reasonable Price (GARP) approach to investing. The disciplined investment approach is principally directed by bottom-up research of sectors and stocks within a top-down overlay. Rexiter has a long investment time horizon and takes a very active approach with companies, seeking to build close relationships with the managements of the firms it invests in. The investment universe is narrowed down to 250 stocks through quantitative screening on liquidity and key fundamental factors. Although not benchmark sensitive, the process does involve some formal constraints on country and sector positioning, although these are not too restrictive.

Russell has monitored Rexiter for a long time through the research into the manager's emerging market equity capabilities. Confidence in the manager stems from the manager's quality of research and their disciplined process. Russell is impressed by the level and depth of Rexiter's research, and has a high regard for the experienced investment team.

### Who is Legg Mason and what is its investment process?

Legg Mason's Singapore-based Asia Pacific (ex Japan) team consists of five investment professionals. Patrick Tan (CIO) and Joseph Tern (senior portfolio manager) are the principal decision makers. The pair have worked together at various investment management firms for over a decade and developed a solid track record along with a distinctive investment style.

The team's investment process is based on understanding business drivers and market drivers as well as exploiting information inefficiencies. Legg Mason uses a thematic approach to define its investable universe, with stock selections fully reflecting this view. One of Legg Mason's key advantages lies in the experience and extensive management contacts developed in the region. Typically, a large proportion of the portfolio is invested in companies that have little or no broker coverage and have been overlooked by other investors.

This contrarian, benchmark-insensitive methodology leads us to expect the manager's portfolio to be aggressively positioned against the benchmark, while active country positions are a function of the bottom-up stock selection process.

### Changes to manager weights

Manager	Mandate	Previous Fund Weight (%)	New Fund Weight (%)
Aberdeen	Asia – Value (high-quality focus)	16	16
Lloyd George	Asia – GARP	27	27
Schroders	Pacific Basin – Growth	20	20
BEM	Australasia – Market-Oriented	27	27
APS	Asia – Value Tilt	10	-
Rexiter	Asia – GARP	-	5
Legg Mason	Asia – Market-Oriented	-	5