

Take Note

RIC JAPAN EQUITY FUND – MANAGER CHANGES



In March 2008 we terminated Barclays Global Investors (BGI) and hired JPMorgan Asset Management and Bayview Asset Management.

Change Summary

- We replaced BGI's core product with market-oriented manager JPMorgan and boutique growth manager Bayview, two higher conviction managers running more aggressive portfolios. We are early investors in both products and we believe a relatively early commitment will enable the Fund to take advantage of this limited opportunity. We have known both lead portfolio managers for many years and highly rate their investment processes. The small asset base of both products allows positions in stocks to be built and eliminated quickly when necessary and we value this flexibility.

Russell Research View

- JPMorgan's aggressive market-oriented product has a bias towards value. Portfolio manager Ryoichi Arai makes concentrated stock selection decisions using a quantitative model to screen stocks before applying a judgemental overlay. We highly rate JPMorgan's strong systematic process and robust analytical approach.
- At Bayview, portfolio manager Yasuo Sakuma's stock picking process combines fundamental research on companies showing growth characteristics with a top-down view on markets. He has a good understanding of market sentiment and the extent to which it is embedded in the potential growth of the stock price. We particularly admire his skills at timing the market and knowing when to make thematic shifts in his portfolio.

Manager Fit

- The inclusion of the JPMorgan product complements the other value managers in the Fund. SGAM, in comparison, looks at more static measures of value such as price/book and dividend yield. While Bernstein has some similarities with JPMorgan, it applies different inputs into its model, such as normalised earnings. T&D is more focused on top-down market views.
- Bayview complements Invest-Asia and JF Asset Management, the other growth managers in the Fund. Invest-Asia has a greater focus on macro views compared to Bayview, which pays greater attention to valuation than JF Asset Management.

JPMorgan at a glance

Key characteristics:	Concentrated market-oriented product, quant screens and qualitative overlay.
Parent Company:	JPMorgan Chase & Co.
Location:	Tokyo.
Founded:	1970.
AUM:	Approx \$1.2 trillion in total, as at 31 December 2007.

Bayview at a glance

Key characteristics:	Growth oriented, combines bottom-up research with top-down view on markets.
Parent Company:	Independent since 1997. Originally established as Japanese arm of RS Investment.
Location:	Tokyo.
Founded:	1998.
AUM:	¥274 billion / \$2.3 billion, as at 31 March 2007.

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Changes to manager weights in the RIC Japan Equity Fund

Manager	Fund Weight (%)		Role
	Old	New	
JF Asset Management	21	19	Fundamental growth, above average growth prospects.
InvestAsia	15	14	Growth oriented, top-down thematic thinking.
Bayview	-	9	Above average earnings growth.
BGI	20	-	Market oriented, cutting edge quantitative model.
JPMorgan	-	10	Market oriented, DDR screen based on bottom up analysis, with PM's judgemental overlay.
Bernstein	15	16	Undervalued stocks which have fallen from favour.
T&D	12	12	Top-down view helps to identify cheap stocks with earnings catalysts.
SGAM	17	20	Deep value contrarian, focus on low PB and high dividend.

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