

# Manager Change

## RIC Continental European Equity Fund

In August 2008 we hired Sourcecap International to the fund's Incubator Portfolio.

### Change summary

Capacity within good quality Continental European products can be scarce and we are taking the opportunity to invest early in the product at Sourcecap. It is managed by James Rutherford, who has experience running Continental European products alongside Pan European mandates, and we have confidence in his ability to continue this in the future. The Pan European products he manages are held in some of our other European funds.

*Sourcecap focuses on the early identification of change and we believe Rutherford is able to implement the process well.*

### Russell research view – Sourcecap International

- Russell has followed portfolio manager Rutherford for a number of years while he was at Fidelity Investment Management, and since mid-2007 at Sourcecap. Over that time we have developed a high degree of confidence in Rutherford and believe he is able to implement the investment process well.
- Sourcecap seeks to invest in growth-oriented companies with accelerating levels of income and cash flow. Fundamental research is undertaken to identify companies and industries undergoing change that is not recognised by the broader market. Their key criteria used in company and industry analysis are franchise value, valuation levels and forces for change (restructuring, new management).
- In our opinion, the small size of the firm and the focused efforts of the investment team promote efficient implementation of investment ideas. Rutherford is the sole decision maker which we fully support. We are also keen on his solid macro economic perspective which compares favourably to peers. Additionally, with its modest asset base, Sourcecap is able to reposition its portfolio quickly and with minimal market impact.

## Sourcecap International at a glance

<b>Key characteristics:</b>	<b>Growth oriented, accelerating income and cash flow.</b>
Parent Company:	Part owned by Execution Ltd. Part employee-owned.
Location:	London.
Experience:	James Rutherford has more than 20 years' investment experience.
Founded:	2006.
AUM:	\$94 million, as at 30 June 2008*.

\*Source: Sourcecap

## Manager fit

- Sourcecap's focus on accelerating income and cash flow, and companies undergoing fundamental change complements the other growth managers in the fund well. In contrast, BlackRock seeks to identify sustainable growth and looks for a balance between earnings growth and valuation characteristics, while THS seeks to add value through stock selection based on thematic analysis of industry trends. In the meantime, T. Rowe Price focuses on earnings surprises, UBS on price momentum, and Liontrust on quality of earnings and earnings surprises.

## Changes to manager weights in the RIC Continental European Equity Fund

Manager	Fund Weights (%)		Role in Fund
	Old	New	
Bernstein	15	15	Value oriented stock selection.
AQR	10	10	Quantitative stock, sector and currency selection.
BlackRock	10	10	Market oriented with a growth bias.
Invesco	20	20	Pragmatic stock selection based on quality, growth and valuation.
T. Rowe Price	10	10	Growth, earnings surprise.
THS	20	15	Market oriented, thematic.
UBS	10	10	Momentum, growth.
Incubator Portfolio	5	10	Liontrust. Sourcecap.



**For more information:**

Call Russell on **020-7024-6000** or  
visit **www.russell.com**

**Disclosures**

---

This material does not constitute an offer or invitation to anyone in any jurisdiction to invest in any Russell product or use any Russell services where such offer or invitation is not lawful, or in which the person making such offer or invitation is not qualified to do so; or to anyone to whom it is unlawful to make such offer or invitation, and has not been prepared in connection with any such offer or invitation.

This material is not intended for distribution to retail clients. Unless otherwise specified, Russell is the source of all data. Unless otherwise specified, all information contained in this material is current at the time of issue and to the best of our knowledge all information presented is accurate, however this cannot be guaranteed. Any opinions expressed are those of Russell Investments Limited and not a statement of fact and they do not constitute investment advice and are subject to change.

The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested.

There is no guarantee that any target or projected figures will be met and this information is for illustrative purposes only. Any simulated figures and estimated figures are for illustrative purposes only. Any past performance figures are not necessarily a guide to future performance. Any reference to returns linked to currencies may increase or decrease as a result of currency fluctuations. Any references to tax treatments depend on the circumstances of the individual client and may be subject to change in the future.

Copyright © 2007 - 2008 Russell Investments Limited

Issued by Russell Investments Limited. Company No. 02086230. Registered in England and Wales with registered office at: Rex House, 10 Regent Street, London SW1Y 4PE. Telephone 020 7024 6000. Authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.