

Take Note

SWIP UK EQUITY FOCUS FUND – MANAGER CHANGE

We have improved the manager line-up in the SWIP UK Focus Fund (the Fund) by replacing SVM with RCM Limited.

Changes to the fund

In November 2005, Russell replaced SVM with RCM in the Fund. (RCM was fully funded in December.)

Who is RCM?

RCM, part of the Allianz Group, is a growth manager favouring long-term quality franchises with high and sustainable returns.

Its UK High Alpha equity product is a concentrated strategy with a co-management structure. Large cap is managed by Mark Lovett, who has 16 years' investment experience, while the mid cap component is run by Trevor Green (12 years' investment experience). This structure gives the two managers clear accountability and ownership for their respective fund components and we are satisfied that the allocation process between these two components is robust.

While RCM recognises that mid cap stocks often demonstrate superior growth potential to large caps, it will have a larger cap bias at the time of inception into the Fund. This is because, following a period of significant outperformance by small and mid caps, RCM's investment process has led it to reduce exposure to smaller caps.

Investment Process

RCM's investment process is based on bottom-up analysis, while its valuation methodology is based on a hybrid pricing mechanism that can incorporate earnings multiples, price to cashflow and enterprise value among other measures.

RCM is benchmark-aware rather than constrained and holdings can range to +/-5% of the benchmark weight. Risk measurement is fully embedded into the portfolio construction process, while the sell discipline is implemented robustly. The firm's extensive research resource is another positive factor.

Reasons for the change

The main reason for adding RCM to the Fund is to enhance the Fund's ability to meet its performance target.

We are replacing SVM with a manager we are confident will add value going forward. SVM has recently undergone organisational changes, which served to reduce our conviction in the manager.

RCM's primary role will be to replace the 'growth' mandate previously allocated to SVM. Overall, the Fund will have a larger exposure to large caps and less exposure to cyclical stocks than when SVM was in the manager line-up. In addition, the co-managed large cap/mid cap structure at RCM allows us flexible exposure across the market cap spectrum when opportunities arise.

RCM will complement the investment styles of TT, which is shorter-term and catalyst-oriented, and Mirabaud, which focuses on longer-term franchises but has historically had less exposure to small or mid caps.

Changes to manager weights

Manager	Previous Fund Weight (%)	New Fund Weight (%)
RCM	-	33
TT	34	34
Mirabaud	33	33
SVM	33	-