

Take Note

SWIP MULTI-MANAGER INTERNATIONAL EQUITY FUND



In May 2007 Russell added Arrowstreet Capital to the SWIP Multi-Manager International Equity Fund.

Change summary

- Russell retains high conviction in the Fund's original three managers. However, the continued leadership of value stocks in recent years, driven by yield seeking and M&A, has seen the managers shifting increasingly away from this area of the market towards traditional growth stocks, which have been neglected. The addition of Arrowstreet, a manager that emphasises both valuation and momentum criteria, improves the balance of investment styles and should enable the Fund to participate in a wider range of market environments.
- Arrowstreet is one of the leading quantitative specialists managing global equity portfolios and employs sophisticated computer models to identify investment opportunities. The key investment professionals are Peter Rathjens, John Capeci, John Campbell (also a professor at Harvard) and Bruce Clarke, president of Arrowstreet.
- Arrowstreet's global strategy is based on complex, proprietary computer models that seek to exploit behavioural and fundamental inefficiencies within markets, which have caused target companies to become temporarily undervalued.
- Arrowstreet's portfolios exhibit active country and sector positions reflecting positions in favour of European basic materials and US industrials, where they believe that valuations and earnings prospects are especially attractive at present. The portfolio's largest overweight is in the US defence company Raytheon on the back of an attractive valuation coupled with positive earnings revisions and price momentum.

Arrowstreet at a glance

Key characteristics:	Uses quantitative models based on price momentum, valuation and earnings revisions. Emphasis on undervalued stocks with signs of improvement.
Parent Company	Firm is wholly-owned by the professionals.
Location:	Cambridge, Massachusetts.
Experience:	Senior professionals have over 20 years' experience managing international equities.
Founded:	In 1999 by professionals who had previously worked together at Boston-based quantitative firm, PanAgora.
AUM:	Over £8 billion in Global/Non-US and Emerging Markets equities.

Changes to manager weights in the SWIP International Equity Fund

Manager	Fund Weight (%)		Role in Fund
	Old	New	
Alliance Bernstein	33	25	Growth
MFS	34	25	Market-orientated; high quality sustainable growth bias
Brandywine	33	25	Opportunistic value
Arrowstreet	0	25	Quantitative; value and momentum

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