

Fund Change

An update on the Ventura Funds

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“The new structure is expected to improve the probability of exceeding the Fund’s alpha target”

Ron Dugan
Portfolio Manager

Several changes to the Ventura International Shares Fund

Two new investment managers, Pzena Investment Management (Pzena) and Snow Capital Management (Snow) have been appointed to the Ventura International Shares Fund (the Fund). Institutional Capital (ICAP) will now manage a global mandate, in addition to their current US strategy. As a result of these changes, ClariVest is no longer a manager within the Fund.

Why have these change been made?

The broad objective of the change was to introduce to the Fund dedicated value US and global mandates.

We see Pzena’s strength as their fundamental research. The firm’s process emphasises traditional value measures such as low price to book and low normalised price to earnings ratios. Additionally, they avoid stocks with strong momentum.

Snow’s approach is contrarian and relative value-oriented. They look for those stocks that have strong fundamentals and potential for price appreciation; yet may be temporarily out-of-favour with the markets due to short-term challenges.

Finally, ICAP’s global mandate emphasises multinational, large cap quality companies to implement their thematic investment strategy.

Previous and current Fund structure:

Manager	Role	Strategic weight (prior)	Strategic weight (new)
Bernstein	Value: non US	15	17
ClariVest	Style neutral: quantitative	24	0
Columbus Circle	Value: US	12	13
ICAP	Value: global	0	10
ICAP	Value: large cap	18	10
Marsico	Total return	16	15
MFS	Growth: valuation sensitive	15	17
Pzena	Value: market oriented	0	10
Snow	Value: large cap	0	8
Total		100%	100%

What will the impact be on the Fund's characteristics?

The new structure is expected to improve the probability of exceeding the Fund's alpha target while maintaining the prescribed tracking error. Country and sector deviation is reduced through the new structure.

About the new managers:

1. Pzena Investment Management

Pzena is a highly ranked manager, which our global equity team has known for several years. Historically, we have liked Pzena's process for the strength of their fundamental stock research and their ability to select stocks that are deeply undervalued on traditional criteria such as low price to book or low normalised price to earnings.

They are a deeper value manager that emphasises value in current earnings versus a company's normalised earnings power. Their portfolio is constructed on a bottom-up basis and position weights are determined by a stock's cheapness to the global universe within the context of diversification. Also, they tend to avoid stocks with strong momentum. Given that the Fund has other managers which use momentum as a component of their investment approach, Pzena's strategy is unique within the Fund.

2. Snow Capital Management

Snow has recently been placed on our 'buy list' by our US equity team. The manager seeks to uncover undervalued, out of favour companies that have a sound financial underpinning, however are facing near-term problems or challenges, and

are subsequently viewed negatively by Wall Street analysts. They are more contrarian and relative value-oriented as they look for stocks with a potential catalyst for price appreciation. The investment process is based on individual stock selection, with sector and industry weights and other overall portfolio characteristics determined as a residual of the stock selection decisions.

Additional assignment: Institutional Capital (ICAP)

ICAP has been a solid, positive contributor to the Fund through its US strategy. As a high confidence manager, we aim to give ICAP additional flexibility so they can capitalise on their approach in the global equity markets, as well as in the US. ICAP seeks to identify underpriced securities with clear company-level or thematic catalysts for price appreciation, which are consistent with their investment themes. They actively search for companies that possess a high degree of earnings stability. Their process of emphasising large cap, high quality, multi-national companies to implement their thematic investment strategy should be a very good complementary strategy in the global equity sleeve of the Fund.

For further information:

Please contact your Ventura account manager to discuss these changes.

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