

# Fund Profile

An in-depth look at Sector Funds

May 2009

## Ventura International Shares Fund

The Ventura International Shares Fund employs broad diversification with a Multi-Style, Multi-Manager approach. This aims to capture sources of alpha while avoiding unnecessary risk at the total fund level and providing exposure to the international equities market.

### The approach

The Ventura International Shares Fund (the Fund) employs a multi-style, multi-manager approach. It is broadly diversified and provides an ideal vehicle for an investor's core exposure to the international equities markets.

### Fund objectives

The Fund aims to provide exposure to a diversified portfolio of international shares. It seeks to provide a total return, before costs and tax, higher than the MSCI World Net Dividends Reinvested Accumulation Index over the long term.







### Fund design

Multiple managers and strategies are employed to capture sources of alpha (excess return) while avoiding unnecessary risk at the total fund level.

In constructing the Fund, we seek to emphasise those return sources that provide the most reliable means of excess return while controlling risks we believe are uncompensated over the long term. Based on Russell's capital markets research, we believe that stock selection is the most reliable alpha source and, therefore, emphasise this factor of return over country selection, sector biases, style tilts and capitalisation.

### Fund Breakdown



ClariVest	
ICAP	
Bernstein	
Marsico	
MFS	
Columbus Circle Investors	

*"The Fund currently employs multiple managers. Their allocations reflect the manager's structural roles and our confidence in their alpha-generating capability."*

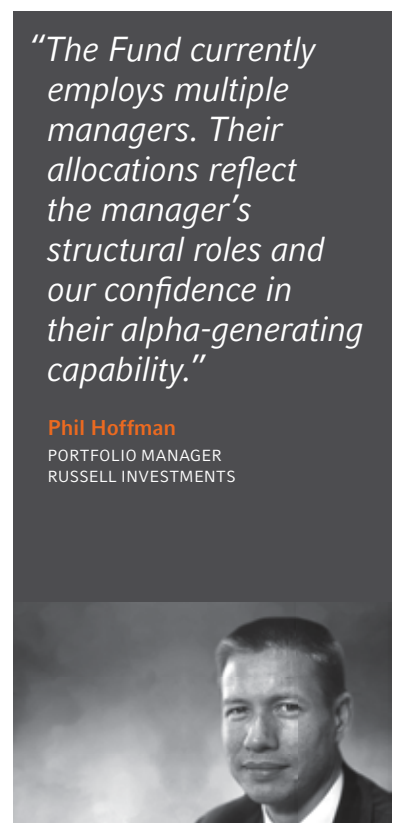
**Phil Hoffman**  
PORTFOLIO MANAGER  
RUSSELL INVESTMENTS

## Quick Overview

**Inception:** March 2002

**Benchmark:** MSCI World Net Accumulation Index

**AUM:** \$41.6 million (as at 30/4/09)



# Ventura International Shares Fund

In addition to alpha generating strategies, the Fund employs a range of strategies designed to improve implementation efficiency. These include cash equitisation, regular rebalancing, and the Russell tracker strategy. Share price index futures are used to equitise any cash holdings. The tracker strategy seeks to leverage

global strategies. These managers generally complement the US and Non-US managers in the Fund, by bringing a broader perspective, greater flexibility of style and more latitude to invest in countries that are outside the benchmark. Consequently, the overall Fund exhibits slightly higher country risk than historically, although

on their perceived alpha potential. In the US segment, both of the managers run their portfolios against US style benchmarks so that they are complementary in risk and style terms. While style is less well defined within the universe of Non-US and Global equity managers, we have nevertheless tried to use managers that are distinctive in terms of philosophy in order to achieve process diversification throughout the structure.

*“We have evolved the structure of the Fund to incorporate managers pursuing pure global strategies”*

the security selection capabilities of selected managers by utilising a centrally managed portfolio that closely tracks the aggregated return series of those selected managers. This strategy separates investment insights from implementation, focusing on low turnover with minimal dilution of active managers’ stock exposures and positions.

risk levels on all dimensions such as country, sector and capitalisation, remain low when compared to peers.

## Manager strategy

*“The Fund currently employs multiple managers running a combination of US, Non-US and MSCI World assignments”*

## Country and sector strategy

Patterns of managers’ excess return variability have shown that country allocation had historically been the greatest source of benchmark relative risk. In recent years, as a result of globalisation, country has become less important as a source of risk, while global sector risk has become more important. At the same time, investment managers have increasingly sought to develop investment processes that were more effective across borders.

In addition to managing the Fund’s country and sector bets, multiple managers and strategies are employed to reduce scenario risk. The strategies are in the form of multiple investment styles (e.g., growth, core, and value).

At the total fund level, our goal is to reduce dependency on a particular economic scenario by creating an aggregate portfolio of managers that provide opportunities to outperform in different environments.

Responding to these changes in market risk structure and managers’ investment processes, we have evolved the structure of the Fund to incorporate managers pursuing pure

The Fund uses managers that stay within a well-defined universe of stocks with specific characteristics, as well as those that are more “nomadic” in nature, rotating across markets and market segments based

# Ventura International Shares Fund

## Current structure

The Fund currently employs multiple managers running a combination of US, Non-US and MSCI World (i.e. global) assignments. Within each group, the managers are diversified by style. The allocations to individual managers reflect each one's structural role and importance as well as our confidence in their alpha-generating capability. There is no particular number of targeted managers. The actual number reflects the availability of high quality strategies that we have identified through our research while trying to achieve a high degree of diversification among

managers styles. In the future we will continue to evolve the structure to ensure that it represents our best ideas.

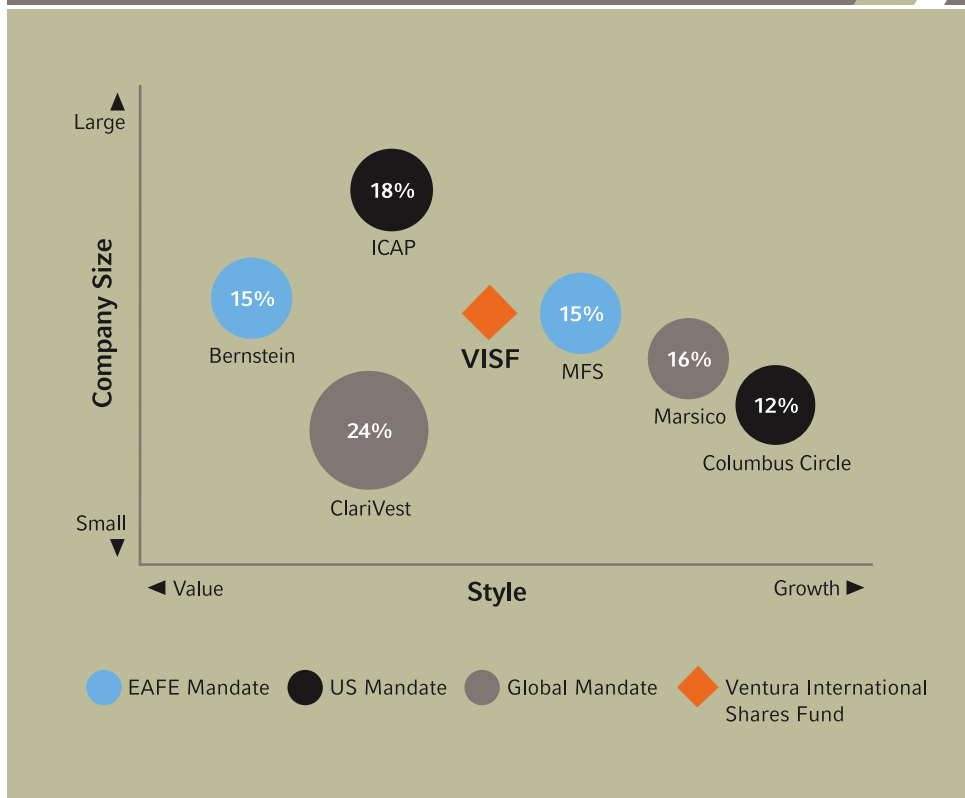
## Currency hedging

Currency hedging in the Fund is limited. Each manager has guidelines such that the Fund overall will not be more than 10% hedged. We limit

hedging because currency exposure has been an important contributor to the diversification benefit of international investing, and the Fund's benchmark is not hedged. Consequently, in the absence of convincing evidence that managers can consistently add value from hedging, we limit this source of potential risk.

*"In the absence of convincing evidence that managers can consistently add value from hedging, we limit this source of potential risk"*

Ventura International Shares Fund Structure



## Manager descriptions and strategies

**Bernstein Investment Research and Management (Bernstein)**  
**Value: non-US**

Bernstein focuses on securities that are under-valued in each sector and country based on market prices and in-house company research. Bernstein's fundamental company research is amongst the best in class amongst managers that we research. Portfolios are relatively diversified and country and sector weights are generally close to index weights.

# Ventura International Shares Fund

## MFS Institutional Advisors (MFS)

### Growth: valuation sensitive

MFS's investment style is based on fundamental research and a flexible approach to growth-at-a-reasonable-price investing. There is a strong emphasis on "quality" companies, which MFS defines as companies with sustainable, above-average returns on investment and positive free cash flow.

## Institutional Capital Corporation (ICAP)

### Value: US

ICAP, based in Chicago, seeks to invest in underpriced securities with a clear catalyst for price appreciation. Focusing on seasoned large capitalisation companies, it screens and analyses stocks for value (relative to their own history, other stocks in the industry and the market as a whole) and improving earnings estimates, to identify stocks expected to gain in the next 12 to 18 months.

## Marsico Capital Management (Marsico)

### Total return

Marsico employs an active growth style featuring rigorous bottom-up fundamental analysis within an informed macroeconomic framework. The integration of these two approaches results in a thematic growth style. A key strength of Marsico is its experienced, close-knit team of four portfolio managers and dedicated global industry analysts.

## ClariVest Asset Management (ClariVest)

### Style neutral: quantitative

ClariVest is a specialist quantitative boutique. What distinguishes ClariVest from many of its peers is the ability to apply sophisticated quantitative techniques to compare stocks on a cross-border basis. Its models comprise a mixture of valuation, momentum and growth signals to identify investment opportunities. ClariVest's portfolios are broadly diversified in terms of alpha drivers.

## Columbus Circle Investors (CCI)

### Growth: large cap

CCI searches for stocks that exhibit rapid growth over the short-term by focusing on momentum and earnings revisions characteristics at the early stages of development. This is combined with a top-down approach which determines the relative attractiveness of various segments of the market. One of the key strengths of CCI is its strong contacts with company management, suppliers, Wall Street analysts and the media. This gives the manager a competitive advantage when setting consensus expectations (i.e. the base line for measurement) of the key factors it considers such as industry dynamics.