

FundFactSheet

FRIC UK EQUITY FUND

NOVEMBER 2005

Russell's UK Equity Fund employs a multi-style, multi-manager approach. It is broadly diversified, with market-like characteristics and provides an ideal vehicle for an investor's core exposure to the UK stock market.

Superior and Consistent Performance

The fund aims to add consistent return against the benchmark, the FTSE All Share Index, building over time into significant value-added on a net of fee basis.

Fund Construction

The fund's characteristics are expected to be broadly neutral on the size, sector and style dimensions. However, managers may take tactical decisions to deviate from neutral sector positions as opportunities present themselves. Deviations along all dimensions will be carefully monitored at the fund level.

The managers selected for the fund have very different processes for finding returns. For example, GMO believes that the best way to find stocks is through a quantitative screen. Analysts input valuation multiples, such as price to earnings and price to book, as well as companies' intrinsic value, calculated through projections of future cash flow, into the model. Threadneedle in contrast has a team of analysts that perform more traditional company analysis, which is combined with a macro-economic overlay that often leads to specific themes driving stock selection in the portfolio. More details on the complete set of managers in the fund is provided later.

Market Characteristics

The UK equity market is a mature market in which new information about companies is rapidly disseminated and trading is highly liquid.

The market is dominated by a group of large companies focused in the defensive areas of banks, oils and telecommunications. This group is in clear contrast to the mid to small cap segment of the market, which has a much greater degree of diversity across the 36 FTSE sectors in the market.

Two of the drivers of the UK equity market are the dimensions along which it is split: sectors and capitalisation. Style is a third main driver, but less significant in the UK than in the US market. It is a by product of the sector division, as managers with growth or value styles tend to favour different industry sectors at different points of the economic cycles.

- FUND INCEPTION : 01/08/1996
- FUND SIZE : £2,269million (US\$ 4,067 million) (as at 30/06/2005)
- BLOOMBERG TICKER : FRUUEAI D
- FUND BENCHMARK : FTSE All Share Index
- FUND COMPLEX : Frank Russell Investment Company plc

Capital International (Value Orientation, 17%)

- **Mandate Inception** : Q4 2001
- **Location** : London
- **Parent Company** : The Capital Group
- **Firm-Wide AUM** : £ 266 bn

Capital International focuses on stock selection, backed by an extensive and experienced research team. A world-wide network of career analysts is a key strength of the firm, which devotes considerable resources to maintaining this competitive advantage. Portfolios are run by more than one manager, and each individual may pursue his own investment strategy. Although stock selection is the key driver of returns, industry positions may be taken.

GMO Woolley (Market Oriented, 17%)

- **Mandate Inception** : Q4 2005
- **Location** : London
- **Parent Company** : Grantham, Mayo, Van Otterloo & Co. LLR
- **Firm-Wide AUM** : £ 43 bn

GMO is an experienced team of quantitative investors with a long track record in the UK market. The manager believes that markets and stocks are ultimately driven by rational valuations but that sentiment can often cause 'noise' and pricing distortions. It believes that the blending of complementary value, momentum and 'signals' strategies into a single, quantitative process offers the best opportunity to outperform consistently.

Threadneedle (Growth Oriented, 22%)

- **Mandate Inception** : Q4 2002
- **Location** : London
- **Parent Company** : Threadneedle
- **Firm-Wide AUM** : £ 62 bn

Threadneedle is one of the UK's largest asset management firms. Their investment team is a key strength in the UK asset class, as the senior professionals have been working together for over a decade. The team's investment strategy is to analyse economic themes and corporate change. The results of this analysis are then applied uniformly across the portfolio.

Fidelity Investments (Growth Oriented, 22%)

- **Mandate Inception** : Q1 1998
- **Location** : London
- **Parent Company** : Fidelity Investments International
- **Firm-Wide AUM** : £ 95 bn

Using detailed fundamental research, Fidelity attempts to add value by focusing on stocks with high dividend or earnings growth, selling at relatively low valuations. The portfolio manager's stock selection draws heavily on the recommendations of the research group, whose analysts are of exceptionally high calibre. Portfolio risk is controlled by monitoring the extent of sector bets relative to the index weightings.

Majedie Asset Management (Market Oriented, 17%)

- **Mandate Inception** : Q4 2003
- **Location** : London
- **Parent Company** : Majedie Asset Management
- **Firm-Wide AUM** : £ 1 bn

Majedie is a boutique firm with four extremely experienced investment professionals, focusing exclusively on UK equities. The portfolio is made up of the portfolio managers' best ideas. Stock selection results from a combination of fundamental research and a macro-economic view.

Select Holdings (5%)

- **Mandate Inception** : Q2 2005



Extensive research carried out at Russell has demonstrated that stocks simultaneously overweighted by different managers in our funds tend to generate significant outperformance without materially impacting risk. This becomes particularly compelling if those managers arrive at the same conclusion using very different investment approaches. The Select Holdings strategy gives more exposure to these overweighted stocks. The strategy is executed and systematically rebalanced on a monthly basis by Russell's Portfolio Trading Group.