Russell Investments

QUANTUM

Russell Client Conference,

London Stock Exchange, November 17, 2009

A boring, long-only, India-dedicated, equity manager

Quantum Advisors, Bombay

Ajit Dayal, Chairman

I. V. Subramaniam, CEO & CIO

QUANTUM → QUANTUM → QUANTUM

1990

Ajit Dayal set up Quantum, India's first equity research company

1992

Foreign Institutional Investors allowed to buy shares in India

1990-92

Research for Barings, Jardine Fleming, Kleinwort/Asian Capital Partners, and Yasuda

1992-95

Local partner of Jardine Fleming in India

1996-98

Advisors - Walden Nikko India Ventures Fund

1996-97

Advisor s - Prolific India Opportunities Fund

1997-2004

Advisors - Hansberger Global Investors, Inc., a US$ 5 billion fund manager, with approximately US$ 70 million exposure to Indian equities.

2005

QIEF – public equity

2006

Fixed Income

2007

Primary Real Estate Fund

2010

Private Equity / Infrastructure

Research and Sub-Advisory

Direct Client

Experienced Leadership: Managing the assets

Ajit Dayal - the founder of Quantum Advisors, has 25 years of experience in the Indian capital markets and 7 years of experience in the international stock market as an analyst and a portfolio manager. Voted # 1 Indian Equity Analyst by "Asia Money" in 1993 and 1994. Voted to All-Star Asian Team by "Institutional Investor' in 1994.

I. V. Subramaniam – Equity, has 18 years of experience in the Indian capital markets and 4 years in global equity research. Subbu is a CFA charter holder. Since June 2000 Subbu has managed India-dedicated Portfolios for India- based clients and since 2005, he has been managing India dedicated portfolios for international clients

Ashwin Ramesh – **Real Estate,** has 15 years of experience in investing in residential and commercial real estate – including the complete green-field development of a 70 acre vacation home project near Bombay

Arvind Chari – Fixed Income, has 7 years of experience in the Indian fixed income markets as a dealer, an analyst, and a portfolio manager. Apart from Fund Management – Arvind is directly responsible for credit and macro economy research function.

Why respected endowments, foundations, and pensions select Quantum as their "India Manager"

- Over 19 years of India experience
- Includes 7 years of global experience
- Managed assets across many market cycles: in India *and globally*
- Disciplined value managers, *proprietary research databases*
- Built a solid and reputed team *across asset classes*
- Wish to work with 20 clients *we are asset managers, not asset gatherers*
- Structured evolution of the organization, *planned asset and product growth*
- Plain-talking, as we see it - *happy to plan asset flows with client*

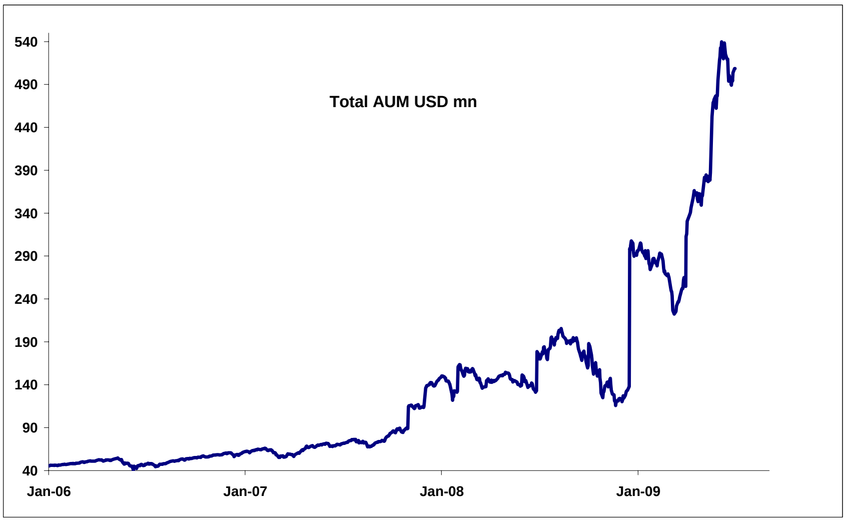
We believe that investors increase their "risk" by investing in India;
our job is to control and monitor that "risk" – not enhance it.

Building an institution, not launching a Fund

To build
an India-focused
investment management institution,
consistently make money for our clients
over longer time horizons
without taking undue risks
and chart a controlled growth in our AuM
across the 4 major asset classes:
equity, fixed income, real estate, infrastructure

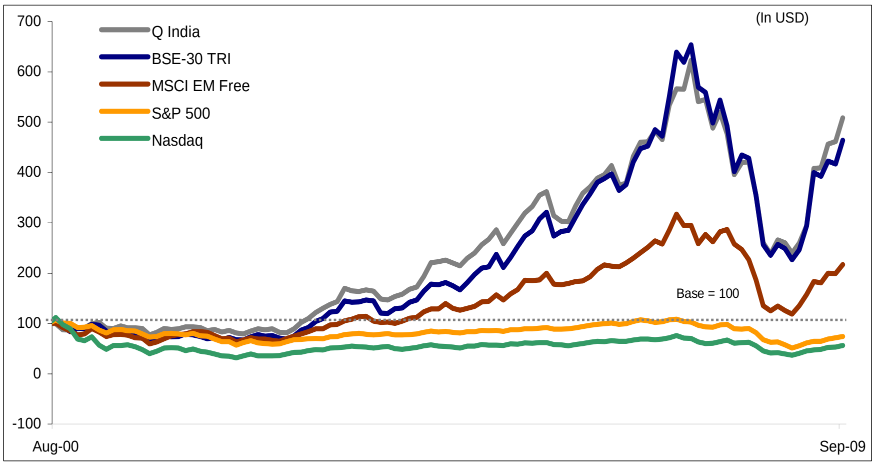
Investing with principles.

A Testimony of our relationship with our clients.



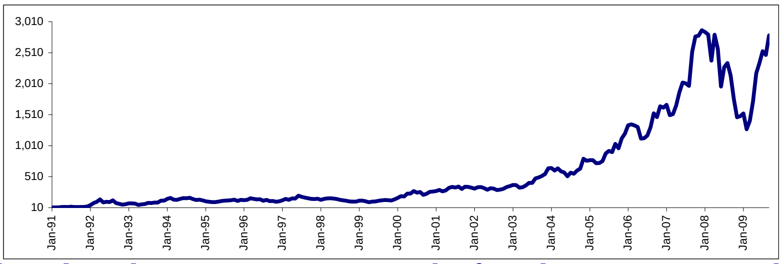
As on September 2009

We question the fashionable:
In 1999, it was "Buy NASDAQ"

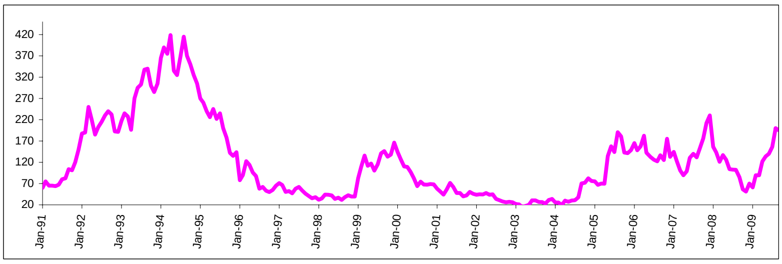


Source: Quantum Advisors, Bloomberg | As on 30th September 2009

Avoid the illiquidity trap



illiquid stocks may give managers the fees- but may not give the investor long-term returns



Public equities: Take advantage of the India opportunity - yet control your "risks"

- Is Standard Deviation a correct measure of "risk"?
- Or the Sharpe ratio?
- Would you like your manager to own shares in a Company that has misled minorities and stolen from minorities?
- Or be a shareholder in a company that thrives on political influence?
- And how do you capture these risks?
- Or how do you capture management execution risk in a dynamic economy?
- Or market competitive risks?

Sure, we take risks:
<u>Unlisted companies</u>: Infosys in 1992, Zee in 1992, NDTV in 1994, BJN in 2006
<u>Listed companies</u>: Bharti Telecom, Zee, Bajaj Auto, Arvind Mills, 2005-2007

Bottom-up stock selection process

Clients get best of bottom up ideas with a risk control measurement for each sector
< 40 stocks

Portfolio of stocks with broad exposure to various sectors.
Reflecting three broad themes: *domestic consumption, exports and infrastructure*

Regular meeting to review ideas and approve value stocks for the database. *100 stocks*

Analysts study stocks in their sector *> 200 stocks*
- in India and globally

Generally < 20% of the stocks we cover, meet our "Buy" criteria

Our Investment Criteria: *Value*

Evaluate:

- The business of the company,
- The environment in which it operates,
- The management, and their long-term goals,
- Can the financials support the long-term goals?

Analyze:

- The stock price of the company based on fundamentals relative to its peer group, its history, and the market.
- PER, PCF, P/BV, Div Yld, EV/EBITDA

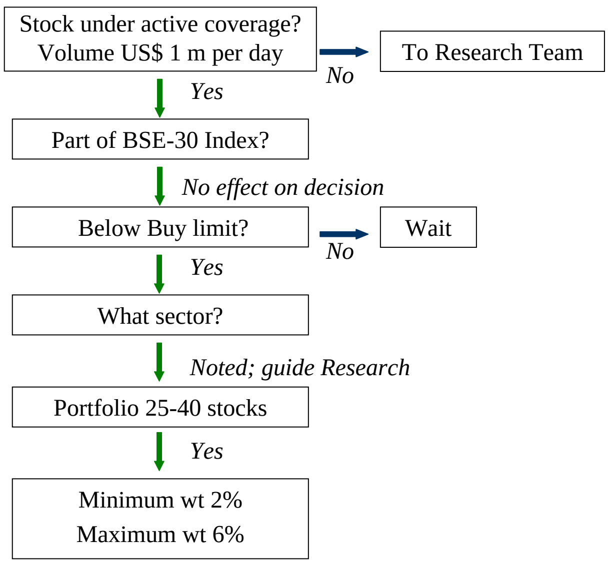
Buy:

- Current price is ^40% lower than our estimate of long-term value

Sell:

- Current price is > our estimate of long-term value
- Better Investment Alternatives
- Changed view of management, Changed view of business

Portfolio Construction



Our portfolio turnover is 20% suggesting a 5 year holding period

BSE-30 Top 5: Are we careful - or are we stupid?

	BSE-30 Index (weight)	Do we own it in Q India?
Reliance	13.7%	No
Infosys	8.9%	5.3%
ICICI Bank	8.0%	No
Larsen and Toubro	7.0%	No
HDFC	5.6%	6.3%
Total	43.2%	11.6%

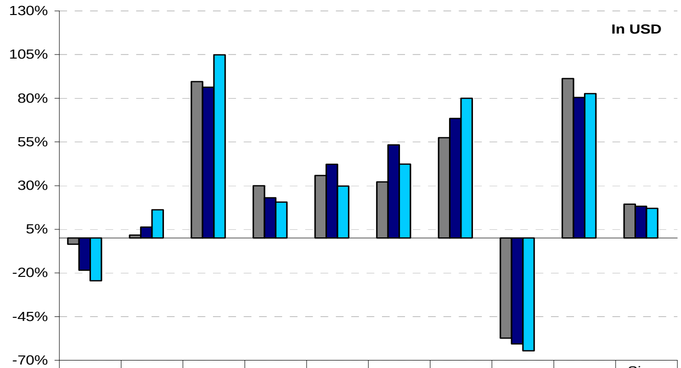
As on 30th September 2009

Portfolio: Index insensitive

Sector	MSCI All Country World	BSE-30 Index (India)	Q India CY 2006	Q India CY 2007	Q India CY 2008	Q India CY YTD 2009
Cons Discre	9%	5%	25%	20%	18%	20%
Cons Staples	10%	8%	0%	4%	4%	8%
Energy	11%	18%	9%	9%	10%	7%
Financials	21%	24%	12%	17%	16%	14%
Healthcare	9%	1%	9%	7%	6%	6%
Industrials	10%	13%	7%	12%	20%	17%
Materials	8%	7%	2%	2%	2%	3%
Technology	12%	12%	14%	16%	13%	13%
Telecom	5%	6%	3%	0%	4%	3%
Utilities	5%	6%	13%	4%	6%	5%
Cash	**0%**	**0%**	6%	9%	1%	4%
Total	**100%**	**100%**	***100%***	***100%***	***100%***	***100%***
No. of stocks	**2,398**	**30**	**31**	**29**	37	**30**

Source: MSCI, Quantum Advisors | As on 30th September 2009

Q India vs. BSE 30, BSE-200: value *in a growth environment*



	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005	CY 2006	CY 2007	CY 2008	CY YTD 2009	Since Inception **
Q India (After Fees)	-3.6%	1.6%	89.6%	29.9%	35.8%	32.1%	57.4%	-57.3%	91.3%	19.4%
BSE-30 TRI Index *	-18.4%	6.2%	86.3%	23.1%	42.2%	53.3%	68.5%	-60.7%	80.4%	18.2%
BSE 200 Index	-24.4%	16.2%	104.9%	20.5%	29.7%	42.2%	80.1%	-64.6%	82.7%	17.0%
Average Cash Position	9.0%	8.7%	8.7%	10.4%	12.6%	8.9%	10.0%	1.8%	2.6%	8.4%

*As on 30th September 2009 | Inception date: August 2000 |*Total Return Index | ** Annualized*

Net of all fees and expenses

The risks have not disappeared

The Indian equivalents of Enron, WorldCom, and Yukos have not imploded - they are still around.

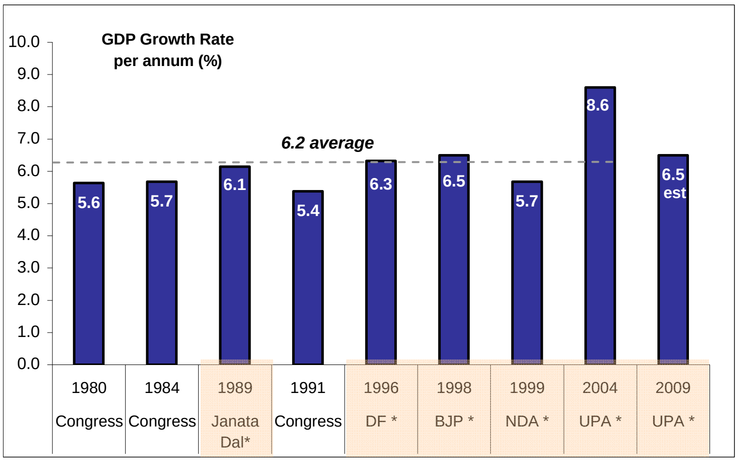
Yet, the India opportunity exists for investing in a highly liquid, select exposure of good businesses run by honest managements

Since 2000 – across cycles the Q India portfolio has generated a +19.4% (in USD) annualized return, with an average of 8.4% cash

We believe we can build a portfolio that can generate a +15% to +20% annualized return in USD over the next decade;

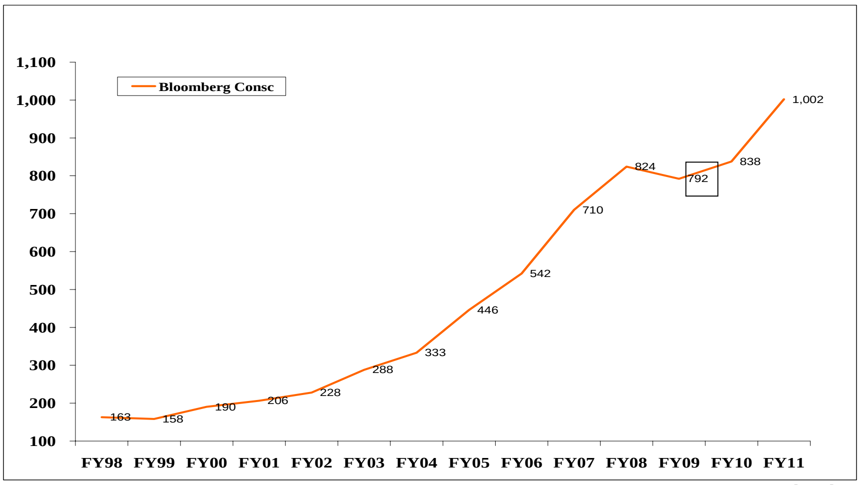
Solid GDP growth…despite coalition governments

GDP Growth rate across 8 governments has been 6.2% p.a. over the past 28 years – the next 25 years could also be 6.5% p.a.



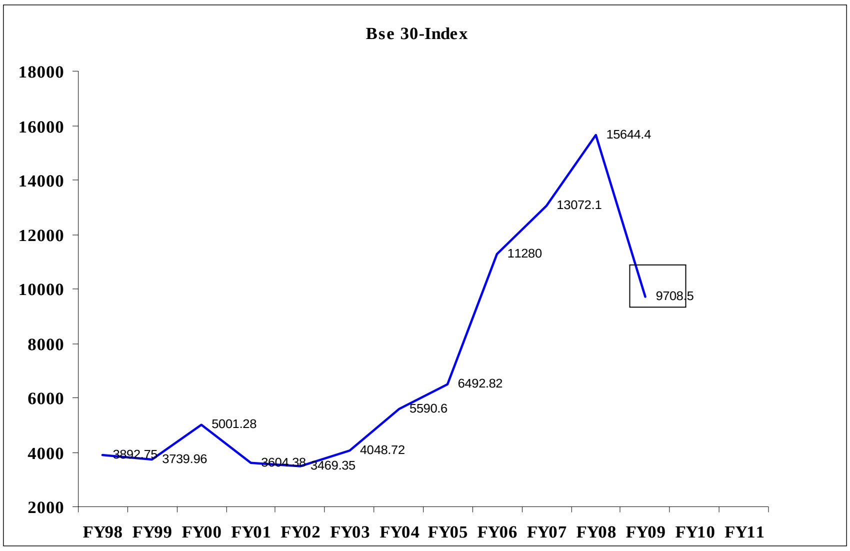
*9 governments \ * 6 coalition government |*

GDP growth means earnings, but earnings don't increase in a straight line …



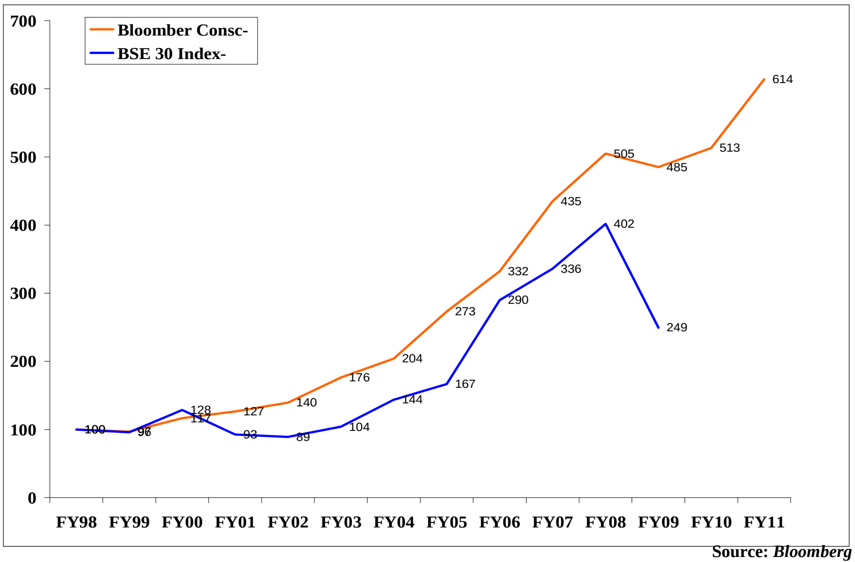
Source: ***Bloomberg***

……nor do stock markets.



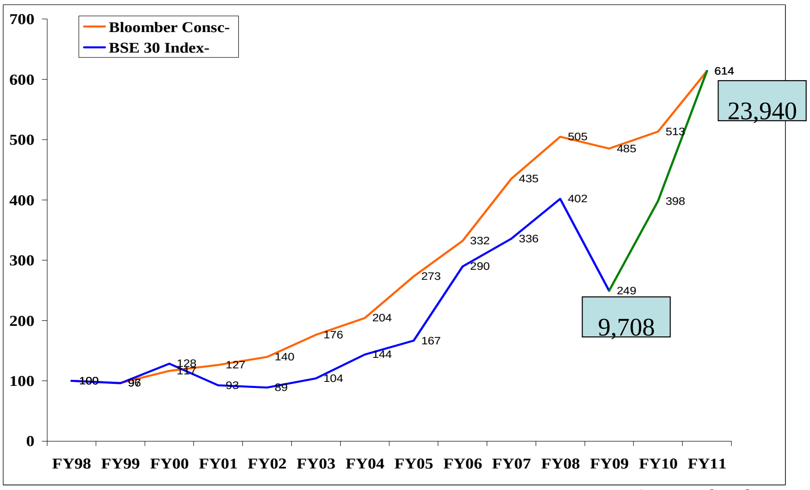
Source: *Bloomberg*

The market has to "catch up" to earnings



Source: *Bloomberg*

Index of 24,000 is possible



Source: *Bloomberg*

Look-out for….

Event	When	Impact trend
Budget	February	↓
Monsoon	June – Sept	↑
Pakistan	Winter sport	→
Local Politics	The curse?	→
China	Recent	↑
US Fed	Recent	↑↑
Poverty	2025	↑↑

Summary

- Overall, economic policy is geared towards growth
- Political "risk" exists - but no effect on overall direction
- Indian entrepreneurs - and world class management
- Infrastructure: Lot of talk, little action - Inflection point?

India: A wonderful long-term theme, but on a bumpy road requires

Our Tried and Tested

Research and Investment Process

to give Clients with a Long-term investment philosophy

a Channel

that captures the Upside

and

limits the Downside

Thank you

Obrigado

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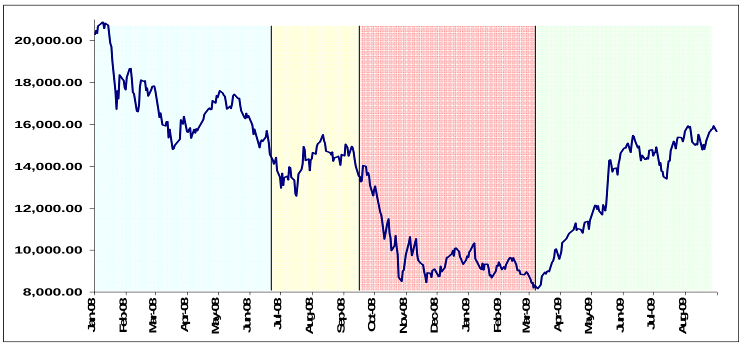
Appendix 1: What hit India in CY 2008?

Studying the past



1. From its peak in Jan, 2008 the Index declined through June, 2008 largely of the view that the surge in prices of oil, wheat, metals would hurt the Indian economy;
2. Between June and September 2008 commodity prices had peaked and data flows confirmed a slowing US and global economy; in India the government had to scramble for support to pass the Indo-US nuclear deal;
3. After September 15, 2008 global credit markets went into a freeze hurting many Indian companies which had accessed international capital; speculative P-Note money rushed out of India;
4. March 9, 2009 was the bottom of this bear market; Everyone called it a bear-market rally that could not sustain; May 18th will go down in history as the day the next bull market began: India’s fundamental framework has dramatically improved

Foreign flows are 4x domestic mutual fund flows and determine share prices

Period	Net Foreign Activity (US$ m)	Net Local Fund Activity (US$ m)	Total (US$ m)	Change in BSE-30 TRI in that period (%) (USD)
CY 2003	6,940	93	7,033	+ 86.3%
CY 2004	8,958	-261	8,697	+ 23.1%
CY 2005	10,896	3,089	13,985	+ 42.2%
CY 2006	7,994	3,442	11,435	+53.3%
CY 2007	17,235	3,121	20,357	+68.5%
CY 2008	-13,136	2,037	-11,099	-60.7%
Cumulative	38,888	11,520	50,407	+231.1%
YTD 2009	+12,129	+511	+12,639	+80.4%

As on September 30, 2009., source SEBI

After Lehman hedge funds stopped buying India – but the ‘India story’ still exists

Country Comparison	India	China	United States
Total Area	1.3 mn. sq. miles	3.7 mn. sq. miles	3.8 mn. sq. miles
Arable Land	0.6 mn. sq. miles	0.6 mn. sq. miles	0.7 mn. sq. miles
Population	1.1 bn	1.3 bn	0.3 bn
Median Age	25 years	33 years	37 years
Electricity Production	141,080 MW	710,000 MW	1,089,807 MW
Oil & Oil Equivalent Production	0.8 mn bbl/day; 28.7 bn cu m	3.7 mn bbl/day; 55.6 bn cu m	7.6 mn bbl/day; 491 bn cu m
Telephones - Mobile	296 mn	547 mn	255 mn
Airfields	346	467	14,947
Railways	39,513 miles	47,148 miles	141,633 miles
Roadways	2.07 mn miles	1.20 mn miles	4.04 mn miles
Ports – Containerised Cargo Handled (2008)	6.6mn TEUs	93 mn TEUs	46 mn TEUs

Source: CIA, The World Fact Book 2008; Containerization International Yearbook

Appendix 2: The 2 questions

Should we buy an Index fund or an India ETF?
Frequent changes.
Index keepers pay no transaction costs – you will.
Plus this is a "survivors' Index".

No. of stocks replaced	CY 2000	CY 2001	CY 2002	CY 2003	CY 2004	CY 2005	CY 2006	CY 2007	CY 2008	YTD 2009
BSE-30	4	1	4	5	2	2	1	2	3	2
BSE-100	16	4	7	28	24	11	13	26	12	2
BSE-200	32	12	8	50	51	16	28	60	26	3
Nifty-50	4	0	7	3	5	2	3	6	3	3

Source: www.bseindia.com

www.nseindia.com

As on 30th September 2009

Not late: India today is where Japan was in 1970 - on the verge of "relevant" economic growth

	1970	2007
Japan's GDP	USD 637 bn	USD 4,356 bn
Japan's share of global market cap	2.0%	7.4%
India's GDP	USD 11.0 bn	USD 1,050 bn
India's share of global market cap	0.1%	1.0%

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