

# OpenWorld Europe Focus Equity

## KEY FUND FACTS

### Hermes Sourcecap

**Money manager:** Hermes Sourcecap Ltd.

**Fund objective\*:** Provide strong excess return above European equity markets over the long term by investing with one of the finest European stock pickers and focusing on the team's highest conviction ideas

**Benchmark:** Russell Europe Developed Large Cap Index (Net)

**Fund inception:** 10th March 2010

**Bank custodian:** State Street Custodial Services (Ireland) Limited

**Notification period :** Orders must be sent before 14:00 (Irish time) on the dealing day

**Valuation:** Daily forward pricing; NAV published at T+1 at 10:00 (Irish Time)

**Settlement :** T+3

**Expected currencies available:** USD, EUR, GBP, JPY

**Base fee:**

Share class	Fee	Min. investment <sup>††</sup>
P	50 bp	\$300m
I	65 bp	-

**Performance fee:** 20% of the excess performance above the benchmark and hurdle

**Fund type:** UCITS Fund

\*Please read the Investment Objective and Investment Strategies as set out in the fund's prospectus before investing in this product

††Across OpenWorld® platform

## Why this fund?

The fund provides access to one of the world's finest stock pickers which has the freedom to choose its most preferred stock ideas from across Europe, and is not restricted to holding second tier stocks for risk limitation purposes.

While returns will be linked to the performance of the underlying European equity market, the manager aims to outperform the market significantly over the long term by running a concentrated portfolio. This provides undiluted access to its highest conviction ideas.

Russell OpenWorld® provides access to a compelling boutique manager at a very early stage of development. This allows investors to secure capacity and to take full benefit from the manager's alpha potential. In addition, investors in the fund benefit from Russell's robust investment and operational due diligence when accessing the manager, and ongoing monitoring and replacement when necessary in order to preserve the value proposition.

## Why Hermes Sourcecap?



**Patrick Egan, CFA**  
Manager Research  
European Equity  
Russell Investments

**"Rutherford's use of his extensive industry contacts and alternative sources of information, such as custom studies and direct surveys, gives him non-consensus investment insights."**

- **Superior knowledge and experience within the European equity market.** Russell has followed portfolio manager James Rutherford for over a decade. Throughout his 20 years' in investment management, most of which have been spent at Fidelity, Rutherford has developed a strong skill of combining top-down macroeconomic and stock specific information.
- **Full investment autonomy for the portfolio manager.** Rutherford has full control over all aspects of the investment process, from setting the research agenda to constructing the portfolio. He does not hold stock purely to control for benchmark relative risk. This freedom allows him to deliver his most compelling investment ideas.
- **Non-traditional research approach.** The team uses a broader array of alternative research sources than peers, with less reliance on traditional sell-side research, to give it differentiated views and insights. Over the course of his long career, Rutherford has developed a strong network of contacts within the investment community. A significant proportion of Hermes Sourcecap's investment ideas come from these relationships as well as from little-known, bespoke research providers within Europe.

## Key fund benefits

**High return potential from access to a concentrated portfolio consisting of the manager's highest conviction stock ideas**

**Access to a boutique manager at a very early stage of development secures access and provides strong alpha potential**

**Exposure to a differentiated approach which focuses on high quality growth companies and absolute returns**

## KEY MANAGER FACTS

**Money manager:** : Hermes Sourcecap Ltd.

**Background:** The company was founded in 2006 by Execution Holdings to focus on absolute return products, and was sold to Hermes in 2009.

**Key Individuals:**



**James Rutherford**, CIO, Partner, and Portfolio Manager, has 20 years' investment experience. He joined Fidelity upon graduating in 1988 where he managed pan-European institutional portfolios from 1995. He joined Hermes Sourcecap in mid-2007 when he became lead portfolio manager for the European equity product.

**Ownership:** Hermes is majority owner. Minority ownership held by employees.

**Location:** London

**AUM:** EUR 885 mn (as at 30th June 2011)

**Founded:** 2006

**Mandate inception:** 10th March 2010

## The investment team

Portfolio manager James Rutherford is the sole decision maker for European equity portfolios. He also leads Hermes Sourcecap's research effort and is supported by two analysts in this area. One of these analysts, Chi Chan, provides direct research support to the product. Andrew Parry, CEO/COO, gives guidance on risk management and portfolio construction.

## Philosophy and investment process

**Identifying companies with sustainable change that is under-appreciated by the market.**

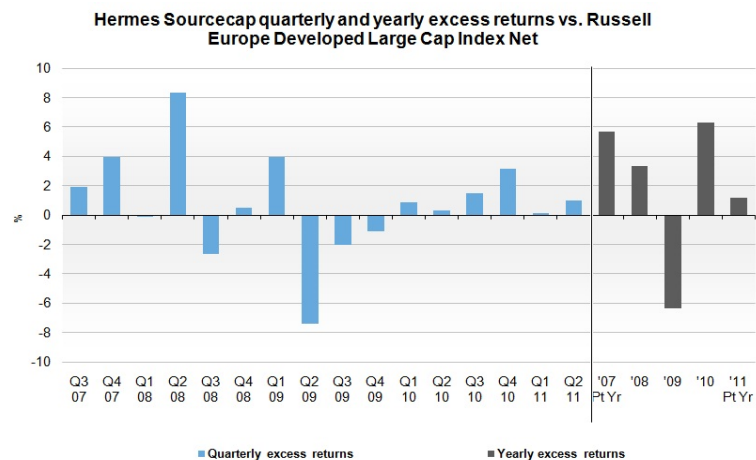
Hermes Sourcecap seeks to invest in growth-oriented companies with accelerating levels of income and cash flow. It seeks early identification of change, caused by long-term structural opportunities, within companies in a strong competitive position. Its investment philosophy is based on the belief that the market is generally slow to understand the implications of change and the corresponding long-term impact on valuations. Investors get anchored to a previous bias about a company, both the positive and negative aspects, and are reluctant to alter their embedded prejudices.

Hermes Sourcecap undertakes fundamental research to identify companies and industries undergoing change that is not recognised by the broader market. The key criteria used are franchise value, valuation levels and forces for change, such as restructuring, new management, or capital cycles.

## Portfolio characteristics

Portfolios typically hold between 40 and 50 securities and Rutherford is under no obligation to hold companies just because they are part of the index. Therefore, individual position sizes are based on Rutherford's conviction in the upside potential of each company taking into account company-specific and macroeconomic risks. The product's long-term horizon leads to relatively low portfolio turnover (30% per annum) with an expected tracking error of 600 bps per annum.

## Manager performance



The manager has a strong track record against the Russell Europe Large Cap Developed Index (Net), with an annualised excess return of +3.2% since inception in July 2007.

## CONTACT US

For more information, please contact your usual Russell Investments representative or



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This chart shows the performance of a typical European equity portfolio managed by Hermes Sourcecap based on the same investment philosophy as the fund, in EUR gross of fees (source: Hermes Sourcecap). The fund return for March 2010 is a combination of index and actual fund return. The March 2010 fund returns prior to March 10, 2010 are proxied using index returns, from March 10, 2010 onwards fund returns are those of the live fund. Data as at 30th June 2011. This past performance is for illustrative purposes only and is not necessarily a guide to future performance.

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