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Bob Pearce
The London Borough of Hammersmith and Fulham
Westminster City Council
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7 March 2012

Dear Bob,

Majedie UK Equity Fund – modest allocation to international equities

Following our recent conversation, I am writing to set out in more detail our decision to introduce flexibility into the UK Equity Fund to make selected purchases in shares listed overseas.

As you know, our aim always has been – and always will be – to make money for you. For reasons which I will outline in this letter, our strong conviction is that making this small change to our investment parameters will enhance our ability to keep the performance momentum high. As owners of our business we are here for the long term, and therefore we will only make a change if we are completely comfortable that it will successfully stand the test of time; we believe the time is now right in this case. We have demonstrable skills in international stock selection through the Tortoise Fund, fresh insights from our Global equity team and a strong record of reading the global macro runes; meanwhile our rigorous company research is broader and deeper than ever.

This small move gives us more flexibility and more opportunities to perform for you (echoing our decisions both to limit capacity and to remove sector restrictions in 2005). Some sectors of the FTSE All-Share index have become either quite concentrated (including Pharmaceuticals, Oils and Defence) or thinly populated (for example Technology); we believe the ability to invest in selected overseas shares will help us to build a well balanced, high conviction portfolio which can generate healthy, long term equity returns.

FSA permission has been sought to amend our pooled fund prospectuses, such that at least 80% of each Fund will remain invested in London-listed equities. The balance, less any cash held, could be invested in overseas listed companies. To be clear, we remain absolutely committed to the (highly international) London equity market – still our primary investment universe – and the Fund's benchmark remains the FTSE All-Share Index.

Regarding timing, we hope to receive approval during the second calendar quarter and anticipate at least being in a position to invest internationally before 30 June. In practice, any investments outside the UK will be made in the normal course of portfolio turnover; 12 months on, we would envisage an allocation to international equities of circa 10%.

We recognise that we are hardly trailblazers in this area; many peer UK equity funds are already less constrained. You can therefore be assured that we have not progressed this far without a great deal of thought and analysis, much of which it is impractical to include here. Likewise, we are acutely aware that any off-benchmark investments that we do make on your behalf are likely to attract even more scrutiny than normal. Hopefully this provides you with some comfort that such investments will only be made where we have genuine conviction that they can be value enhancing.

Of course, if you have any questions on this, please do feel most welcome to get in touch with me directly.

Yours sincerely

Simon Hazlitt
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