

## Investment Process

*Fundamental research is the key*

An efficient and disciplined investment process is acknowledged to be crucial in the delivery of consistently superior investment results. Our research process is designed to identify undervalued securities and combine them in low-risk diversified portfolios. We begin our analysis by sifting through thousands of listed companies, using a variety of valuation techniques to find those that have the potential to provide the most reliable absolute returns to investors. All the investment partners are trained analysts with many years of experience of picking undervalued stocks.

Our approach is a painstaking and rigorous one. Within the context of the company's operating environment we project the earnings, cash flow and balance sheets for all potential purchases at least five years into the future. We use these forecasts to determine the intrinsic value of the company. The estimated discounted value is then compared to the current price of the securities. Only those where we perceive a substantial gap between intrinsic value and the current

share price are likely to be purchased. The fewer constraints that are put on this process the greater the potential total return. There is nothing formulaic about the process however. Security selection ultimately rests on the experience and judgement of the managers.

The global stock lists that result from the screening process are reviewed for risk and investor suitability before being assembled as portfolios. With such an intensive research process, the insistence that funds can only buy securities that are clearly undervalued on an absolute basis means that the most important single risk faced by investors is simply that our investment analysis is wrong. For that reason, the assumptions made in our choice of securities and portfolio construction are rigorously tested. Portfolio review, risk analysis and performance attribution are carried out as a matter of course, but primarily for monitoring purposes, not as the driving force of the investment process itself.

### Research Process

We exclude all those companies which do not meet our targets and focus on those that do, applying valuation measures to them to allow a portfolio with the right risk/reward characteristics to be created. Only stocks that are found to be clearly undervalued on an absolute basis are chosen.

### Risk monitoring

All potential portfolios are reviewed to assess their risk characteristics and client suitability. A typical global portfolio will have 30–40 securities and diverge significantly from benchmark sectoral and regional weightings. Macro and micro assumptions made by the firm's analysts are rigorously tested.

## Key Dates

### February 2003

Edinburgh Partners founded

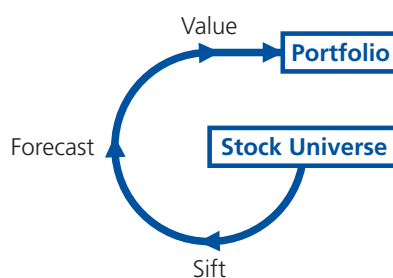
### August 2003

Authorisation received from the Financial Services Authority

### September 2003

First client account opened

### Global Investment Process



## Investment Administration

*Simple, efficient and accountable*

Delivering superior investment performance does not stop with assembling and monitoring portfolios. Service to the clients remains a constant priority. Consistent with its focus on delivering superior investment performance, Edinburgh Partners outsources some administrative functions, including portfolio accounting, trade support and shareholder services. These services are provided by high quality third parties, chosen after a rigorous due diligence process.

Their performance is monitored by the Finance Partner and Legal Partner, both of whom have many years of experience in administering fund management activities. Our website carries detailed information about the funds we manage, as well as providing an interactive platform for the exchange of information between clients and the firm. Private investor funds managed by Edinburgh Partners will be structured so as to be eligible for inclusion in ISA, SIPP and other tax-efficient wrappers.

### Company valuation

Our stock selection process involves screening hundreds of securities across the leading markets of the world, using valuation techniques and industry knowledge to identify potential candidates for purchase. Earnings, cash flow and balance sheets are projected forward at least five years to establish an absolute valuation.

### Portfolio Creation

The more constraints that are put on a fund, the smaller the universe of potential stocks – and the smaller the potential total return – becomes. The fewer the constraints, the more absolutely undervalued securities are likely to be found through the research process.

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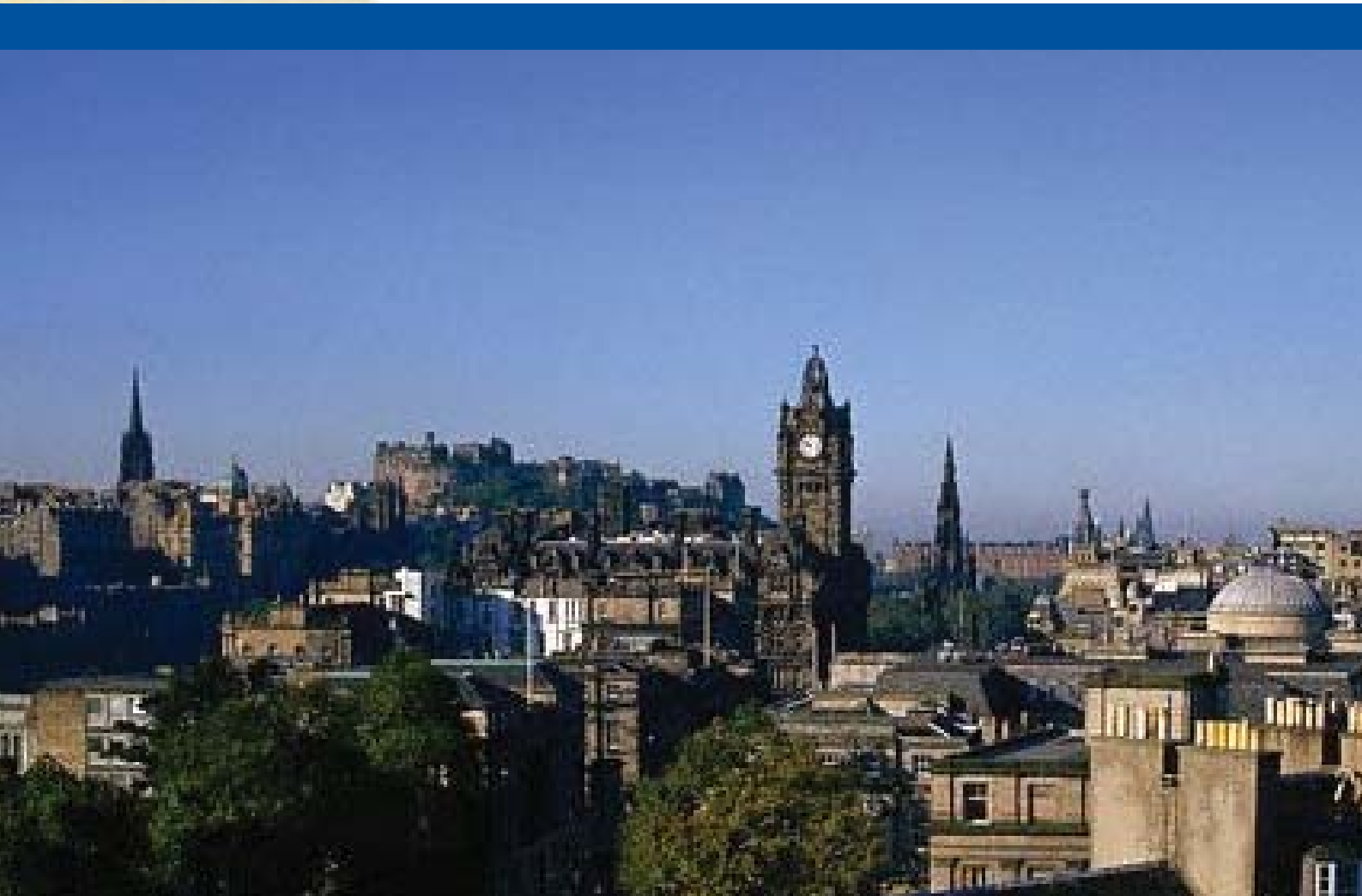
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## Global Investment Approach



- Specialist fund management house
- 100% focus on investment research
- Global investors with long term horizon
- Team of experienced professionals with strong individual track records
- Independent company, majority owned by staff
- Emphasis on absolute returns
- Innovative application of web technology

Edinburgh Partners is a new and independent *Scottish* investment management house, founded in 2003. Our business is managing money for institutional and private investors. We are disciplined and patient long term investors with a consistent and distinctive style, based on intensive research and rooted in many years of experience across all the major global markets.



## Investment Professionals

*An experienced team of proven achievers*

Edinburgh Partners was founded in 2003 by Dr Sandy Nairn, the chief executive, and a team of experienced colleagues, many of whom had previously worked together to achieve a dramatic turnaround in the investment performance of Scottish Widows Investment Partnership. Before his recruitment as Chief Investment Officer at Scottish Widows Investment Partnership in 2000, Dr Nairn had a 10 year career at the Templeton/Franklin group, latterly as Director of Global Equity Research, based in Edinburgh and Fort Lauderdale, Florida. He was short listed as European Institutional CIO of the Year in 2002.

Establishing Edinburgh Partners is the culmination of a long-held ambition to establish a new specialist investment firm that focuses 100% on providing client returns through global investment analysis of the highest quality. All the investment partners have specific responsibilities for sector and regional research in addition to their fund management roles.

It was this shared investment philosophy and approach which brought the partners together and which has underpinned their individual and collective investment success. They are supported by a back office team

and a state-of-the-art technology platform designed to provide investors with timely and up-to-date information about their investments.

Although the investment management marketplace has become increasingly competitive, it is characterised by a growing disenchantment with the shortcomings of current industry practice. We believe that the simplicity, purity and independence of our investment approach offers clients and investors a rewarding new alternative to existing fund management providers.



## Founding Partners

**Dr Sandy Nairn** BSc, PhD, ASIP, CFA

Sandy is responsible for EAFE, international and global portfolios as well as overseeing the research and investment process of the firm. A trained economist with a PhD from the University of Strathclyde, he worked for Murray Johnstone from 1985–1990 before joining Templeton Investment Management, where he won numerous performance awards and was Executive Vice-President and Director of Global Equity Research. The investment process and team he introduced at Scottish Widows Investment Partnership from 2000–2003 transformed results for the company's £80 billion under management. He is the author of "Engines That Move Markets" (John Wiley 2001), a historical study of technology investment.

**Graham Campbell** BA, MBA, ASIP

Graham is responsible for managing and overseeing all UK equity portfolios at Edinburgh Partners and for researching the resources, basic industries and service sectors. A graduate of Glasgow Caledonian and Edinburgh University, he began his career at Campbell Neill, a firm of stockbrokers, and later spent 10 years with Edinburgh Fund Managers as an Investment Director. He joined Scottish Widows Investment Partnership in 2001 as Head of Retail Funds with responsibility for overseeing all the funds in this category. The UK Equity unit trusts he managed at SWIP moved from fourth to first quartile performance between 2001 and 2003, reinforcing his strong performance track record.

**Stephen Anderson** BSc

Stephen researches the technology and industrial sectors and is also responsible for the development of Edinburgh Partners' research and portfolio management infrastructure. From 2001 until 2003 he was Head of the Research Analysis Group at Scottish Widows Investment Partnership and leader of the team that created an innovative new research portal to support and reinforce the investment process. Before that he spent 17 years at Murray Johnstone, including spells as Head of US, Japanese and UK Equities. He was appointed to the board of Murray Johnstone in 1993. He holds an Honours Degree in Mathematics from Glasgow University.

## Investment Philosophy

*The investment world is ultimately rational*

We have a simple, clear and rational investment philosophy, rooted in the principles that guided Sir John Templeton throughout his long and successful investment career. We are committed long term investors who believe that markets are not always rationally priced. Our aim is to identify, through disciplined and intensive research, those securities in leading global markets that we regard as being clearly undervalued on an absolute basis.

Put simply, we believe that the best way to make money for clients is through buying assets for less than they are worth. Nobody can know with precision when the markets will correct valuation anomalies,

only that they will be corrected in due course. This philosophy requires a patient, long term approach to portfolio construction and a willingness to resist the pressure to conform to index or benchmark pressures. As a result, our portfolios rarely look the same as the relevant market index. Investors who choose us to look after their money do so in the knowledge that our approach is by definition contrarian and non-consensual.

Our belief is that a patient value-driven approach to security selection, implemented rigorously and with skill, is the most reliable way to achieve superior absolute returns over the medium to longer term. A second core strand of our philosophy is the belief

that it is common sense to use cash and other liquid assets as alternatives to equities at times when the equity markets are failing to generate a sufficient number of attractively valued opportunities.

The focus of our research is on identifying securities that are capable of maximising the total return to investors, rather than pursuing specific yield or capital growth targets. Our business is about managing a range of global funds and mandates in the same broad style, seeking out the most attractive opportunities across a range of markets, preferably unconstrained by index or benchmark restrictions. Clients, we believe, will be attracted by the purity and simplicity of our long term investment approach.



**Kenneth Greig** BA

Kenneth is Legal Partner at Edinburgh Partners, responsible for all legal and secretarial functions within the company. He is also the Compliance Officer. A graduate of Oxford University, where he obtained an Honours Degree in Jurisprudence, he has held a series of senior positions in fund management firms – Global Head of Legal Services for AXA Investment Managers, Head of Legal and Compliance for Morgan Stanley Asset Management and Legal Director at Templeton International. His last job before joining Edinburgh Partners was as head of the Legal and Technical team at Scottish Widows Investment Partnership.



**Sam Bleakney** BSSc, FCA

Sam is Finance Partner at Edinburgh Partners, responsible for all accounting and back office support functions. He joined the firm from JP Morgan, where he was Head of Business Development for the bank's investment administration and fund accounting unit based in Edinburgh. A former Finance Director of Stocktrade, the execution-only brokerage division of Brewin Dolphin Holdings, he also spent 10 years at Templeton Investment Management, where he held a number of finance and investment accounting roles, including that of European Chief Financial Officer. He holds a degree in business administration and accounting from Queen's University, Belfast.

“Edinburgh Partners is starting out in the fund management business like I did 50 years ago. My former colleague Sandy Nairn, and his team, who are the new firm, have outstanding individual talent and investment discipline. It seems likely that they can produce excellent long term investment returns”.

### **Sir John Templeton**

Founder of Templeton Fund Management Group