

## Manager profile

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### Company overview

Established as a partnership in Massachusetts in 1924, Massachusetts Financial Services (MFS) is America's oldest mutual fund company.

In 1932 MFS established an internal equity research department and proprietary research approach. MFS has since grown to be one of the most respected names in investment management managing over AUD \$190 billion as at 30 September 2009.

Headquartered in Boston, MFS also has investment offices in London, Mexico City, Singapore, Sydney and Tokyo, employing over 1600 staff in 17 countries.

### Investment style and philosophy

MFS' investment philosophy is based upon active management – identifying inefficiencies in global markets and investing in high quality companies which have above average sustainable earnings growth and are trading at attractive valuations.

MFS believes original, fundamental, bottom-up research is the best means of uncovering such companies, and that stocks trading at a discount to their expected growth rate should outperform the market. It has a strong preference for quality businesses with a high return on capital and strong free cash flow generation. The emphasis is on building a portfolio of quality stocks at good valuations and taking advantage of longer term market inefficiencies and outperformance of quality stocks over time.

Considering a range of both value and growth factors in constructing portfolios means there is no large bias to either style at any one point in time.

### Investment process

The MFS Global Equity strategy is based on a bottom-up, research driven, growth at a reasonable price (GARP) investment approach. Typically there is a large capitalisation bias, although the average market capitalisation may at times be lower than the benchmark average market capitalisation in aggregate.

MFS' equity analysts are assigned research responsibilities within particular industries on a regional basis, and are organised into global sector teams. The analysts' primary responsibility is to research stocks within their industries and recommend investment ideas to the broader investment organisation.

The stock research process focuses on companies with strong cash flows and recurring revenue streams, a strong franchise or solid industry position with substantial barriers to entry, management with a clearly defined strategy and catalysts that may accelerate company growth. Both historical analysis and forward projections are important parts of stock analysis, with analysts tending to forecast earnings and price targets 2-3 years out.

After screening the global universe of 4,000 to 5,000 securities and excluding stocks based on liquidity and weak company fundamentals, a universe of 30 to 50 stocks is covered by each analyst in depth, including in-house detailed earnings and valuation models. Portfolio Managers then draw upon the research analysts' top-rated stocks to position portfolios in the highest-confidence stocks.

### The investment team

Lead Co-Portfolio Managers David Manheim and Roger Morley are supported by approximately 50 analysts located globally. The extensive global research team analyses securities in more than 60 countries, and their strength in research differentiates them from peers. The research process seeks to gather and exploit company specific insights, and to deliver consistent returns to investors.

## Reason Advance selected MFS

MFS is a large, well established company with substantial assets and a diverse product line.

We also favour the following factors.

- Strength and depth of investment team with a strong collaboration between portfolio managers and analysts.
- Strong investment accountability. Analyst recommendations are well monitored and portfolio performance responsibility lies with the portfolio manager.
- Good technology platform.
- Fundamental, bottom-up approach based on in-depth internal research across regions and industries.

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