

# Masters' Select International MSILX

**Morningstar's Take** | 12-15-09 | by William Samuel Rocco

## Masters Select International's strong 2009 showing is only part of its appeal.

This multimanager fund has certainly acquitted itself well this year. Emerging-markets stocks have done especially well, and this fund has double the foreign large-blend norm of 11% in such issues. (Petrobras PBR, the fund's largest emerging-markets holding, has nearly doubled in 2009.) And a diverse mix of this fund's developed-markets picks have flourished, including the French communications and advertising company Publicis Groupe PUBGY. Thus, this fund has posted a 38% gain and outpaced four fifths of its peers for the year to date through Dec. 14.

More significantly, given that any one year of performance is only of so much importance, this fund has posted superior results in a mix of climates in the past. It fared much better than most of its peers as foreign stocks tumbled in 2001 and 2002, for example, and it did the same in the worldwide rally that ran from early 2003 through late 2007. Thus, it boasts top-quintile three-, five-, and 10-year returns.

Meanwhile, this fund's advisor has what it takes to run—and maintain—a topnotch multimanager offering. Litman/Gregory divides this fund's assets between six managers who employ a variety of proven strategies and limits them to eight to 15 picks each, so the aggregate portfolio here is both diversified and distinctive. Litman/Gregory favors managers whose approaches are well suited to focused investing, and it has demonstrated that it has the ability to make changes to the lineup of managers without being too hasty. It has delivered the goods at other Masters Select offerings taking the same approach.

This means that this fund is worth a long look from investors seeking a distinctive foreign vehicle for the long haul. But such investors should be sure they understand that this fund's atypical traits can cause it to backfire on occasion.

## Morningstar Rating

★★★★

## Kudos

- Impressive roster of managers.
- Distinctive portfolio.
- Great mid-term and longer-term returns.
- Shareholder-friendly advisor.

## Risks

- Relatively compact portfolio increases issue-specific risk.
- Often sports unusual sector and country weightings, which can backfire.
- Taste for smaller caps can hurt at times.
- Penchant for investing in emerging-markets stocks comes with risks.
- More volatile than most of its peers.

## Strategy

The six managers follow diverse styles, with each contributing eight to 15 stock picks to the portfolio. Advisor Litman/Gregory has been diligent in fighting market-timers. Years ago, it implemented a 2% redemption fee on shares held less than six months; it has turned away substantial amounts of money from platforms that wanted permission not to enforce the redemption fee; and it has always been aggressive about finding and getting rid of market-timers. The firm has used fair-value pricing for specific securities for some time.

## Management

There have been a few changes over time, but this fund continues to sport an impressive roster of managers: Oakmark International's OAKIX David Herro; Ted Tyson of Mastholm Asset Management; Bill Fries of Thornburg International Value TGVAX; Jim Gendelman of Harbor International Growth HIIGX; Amit Wadhwaney of Third Avenue International Value TAVIX; and the four-person team at Northern Cross that helps run Harbor International HAINX. Each runs between 10% and 20% of the portfolio.

## Role in Portfolio

Core

## Masters' Select International MSILX

| Year | Total Return (%) | +/-Category |
|------|------------------|-------------|
| YTD  | 36.01            | 0.35        |
| 2009 | —                | —           |
| 2008 | -45.47           | -0.72       |
| 2007 | 20.75            | -8.39       |
| 2006 | 23.61            | 4.09        |

Data through 11-30-09