

Fund Change

An update on Sector Funds

MAY 2009

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Phil Hoffman
Portfolio Manager

New manager appointed to the Ventura International Shares Fund

Russell Investments has appointed Columbus Circle Investors (Columbus) as a manager within the Ventura International Shares Fund. Columbus will replace Turner in the capacity of a large cap growth manager.

Russell Investments has been monitoring Columbus for over a decade and the manager has held a mandate within Russell's US Equity Fund since January 2007. Columbus's process, which combines macroeconomic views and distinctive stock selection process, combined with the talented portfolio management team led by Tony Rizza, has led to our Investment Manager & Research team's high conviction in the manager's excess return potential.

Fund design

Manager	Style	Prior allocation	New allocation
ICAP	Value: US	18%	18%
Turner	Growth: large cap	12 %	--
Columbus	Growth: large cap	--	12%
Bernstein	Value: non-US	15%	15%
MFS	Growth: valuation sensitive	15%	15%
ClariVest	Style neutral: quantitative	24%	24%
Marsico	Total return	16%	16%

Columbus: investment style

Columbus's amalgamation of macroeconomic, industry level and company data is a key differentiator in their investment process. The firm reviews company results versus expectations from both a top-down and bottom-up standpoint seeking to draw out clear contrasts about the true nature of the market environment. This work is encapsulated in the firm's "economic monitor" which aggregates publicly available economic data, and this is then used to ascertain which macroeconomic scenarios are most likely to occur and help to influence research towards names in certain industries or sectors that will benefit from these scenarios. CCI's bottom-up analysis combines recent earnings surprises with short-term growth rates. The firm seeks to thoroughly understand consensus thinking, where this is in error, and to own stocks of companies that have a high probability of generating above-consensus earnings.

Change to the fund's characteristics

The Fund will remain a six manager structure with two managers in each geographic segment (US, EAFE, Global). Excess return and risk expectations for the Fund will also remain unchanged.

Columbus provides a disciplined momentum approach which compliments the other growth managers employed in the Fund. Columbus's process is a useful contrast to MFS's focus on higher quality stocks with strong competitive positions and Marsico's approach, which puts greater emphasis on longer term growth factors and interaction with company management.