

Manager change

Russell Investments
Emerging Markets Equity
Fund



In November, Russell Investments terminated Genesis from the Fund and introduced Neuberger Berman and a Russell Investments positioning strategy.

Change rationale

We took the opportunity to hire Neuberger Berman to add a source of targeted long-term growth exposure. Our Emerging Markets equity team has a high conviction in the excess return potential of the Neuberger strategy which was recently added to our buy list. In contrast, the conviction in Genesis' market-oriented, growth at a reasonable price strategy had been declining over time. These changes increase overall conviction in the Fund's manager line-up while diversifying our value and growth sources of return.

We also added a positioning strategy designed to effectively manage and diversify our value and size exposure. This is a customised portfolio managed by Russell Investments. The positioning strategy creates greater tactical flexibility and helps better align the Fund with our preferred positioning on a day-to-day basis.

These changes increase Fund diversification and offer us access to multiple sources of return. We adjusted the target weights of the remaining managers to maintain our strategic and tactical preferred positioning. This includes our tilt towards value and overweight to long-term momentum. Overall investment objectives and risk parameters will not materially change as a result of these changes.

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RUSSELL INVESTMENTS RESEARCH VIEW – NEUBERGER BERMAN

NEUBERGER BERMAN	
AUM:	\$106 billion as at September 30, 2018
Location:	New York
Founded:	1939
Ownership:	Employee

Source: <https://www.nb.com/pages/public/en-fr/institutions.aspx>

Neuberger adopts a growth at a reasonable price investment philosophy with a quality focus. The strategy aims to exploit the mispricing of high secular growth companies with sustainable cash flows and earnings, offering the potential for strong investment returns over a relatively longer investment horizon. A flexible application of the growth philosophy combined with a broad definition of quality - extending beyond financial measures - and an all cap approach is the strength of the process. This leads to a consistent exposure to growth. Neuberger integrate environmental, social and corporate governance (ESG) factors into their investment strategy, to provide an

additional insight on stock quality. They believe stocks with a higher ESG score can create sustainable value and present lower long-term risk.

RUSSELL INVESTMENTS RESEARCH VIEW – RUSSELL INVESTMENTS POSITIONING STRATEGY

Positioning strategies are customised exposures created and directly managed by Russell Investments to better achieve return and/or risk objectives in a total portfolio. Russell Investments' portfolio managers have ultimate responsibility for the total portfolio and use positioning strategies to help meet investment goals. Typically used in conjunction with third-party active managers, positioning strategies allow our portfolio managers to better reflect our strategic and dynamic insights in a precise and flexible manner.

Our positioning strategy is currently focused on value and size. To avoid value traps, we have screened out the lowest quintile of momentum. We will use this portfolio to dynamically allocate towards complementary exposures to reflect our strategic and tactical views. This allows greater continuous control of the Fund's overall style characteristics, using our own in-house expertise without having to rely on changing our manager weights. This provides us with a more precise and flexible way of managing the Fund.

NEW MANAGER WEIGHTS IN THE RUSSELL INVESTMENTS EMERGING MARKET EQUITY FUND

MANAGER STRATEGY	ROLE	OLD FUND WEIGHTS (%)	NEW FUND WEIGHTS (%)*
Alliance Bernstein	Deep value, contrarian approach focusing on out-of-favour companies	17.0%	13.0%
Genesis Asset Management	Seeks cash-generative, growth companies trading at reasonable valuations	14.0%	0.0%
Harding Loevner	Seeks high quality, growth companies trading at reasonable valuations	14.0%	14.0%
Neuberger Berman	Seeks cash-generative, higher growth companies trading at reasonable valuations	0.0%	14.0%
Numeric	Value and momentum exposure delivered through a quantitative approach	16.0%	16.0%
Oaktree Capital	Market-oriented, employing a mix of quality, growth and valuation criteria	15.0%	14.0%
RWC	Opportunistic approach, focusing on value and growth	9.0%	9.0%
Somerset Capital	High quality small- and mid-cap companies with low earnings variability	10.0%	5.0%
Westwood International Advisors	High quality small- and mid-cap growth stocks trading at reasonable valuations	5.0%	5.0%
Russell Investments	Positioning strategy to align Fund characteristics with preferred positioning	0.0%	10.0%

* Target weights as at 30th November 2018. Source: Russell Investments.

For more information:

Call Russell Investments on **+44 (0)20 7024 6000** or visit [russellinvestments.com](https://www.russellinvestments.com)

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Please note that the value of investment and the income derived from them may go down as well as up and an investor may not receive back the amount originally invested.

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