

New primary benchmarks for Russell's non-Australian equity portfolios

From **31 December 2010**, Russell will be changing its primary non-Australian equities benchmarks from MSCI Indexes to Russell Global Indexes. As such, the reference to the benchmark in the investment strategy will be changed accordingly. A list of the specific portfolios impacted by this change is provided below:

Russell Private Active Pension Portfolios

Portfolio name		
Russell International Shares Portfolio	Current benchmark	New benchmark (from 31/12/2010)
	MSCI World Net Dividends Reinvested Accumulation Index	Russell Developed Large Cap – Net
	Current investment strategy	New investment strategy (from 31/12/2010)
	The Portfolio is predominantly exposed indirectly to a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the MSCI World Index). The Portfolio may also be indirectly exposed to derivatives and emerging market equity securities.	The Portfolio is predominantly exposed indirectly to a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the Russell Developed Large Cap Index). The Portfolio may also be indirectly exposed to derivatives and emerging market equity securities.
Russell International Shares Portfolio – \$A Hedged	Current benchmark	New benchmark (from 31/12/2010)
	MSCI World Net Dividends Reinvested Accumulation Index – \$A Hedged	Russell Developed Large Cap AUD Hedged – Net
	Current investment strategy	New investment strategy (from 31/12/2010)
	The Portfolio is predominantly exposed indirectly to a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the MSCI World Index). The Portfolio may also be indirectly exposed to derivatives and emerging market equity securities. Underlying foreign currency exposures are largely hedged back to Australian dollars.	The Portfolio is predominantly exposed indirectly to a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the Russell Developed Large Cap Index). The Portfolio may also be indirectly exposed to derivatives and emerging market equity securities. Underlying foreign currency exposures are largely hedged back to Australian dollars.

The decision as to which index to use for benchmarking portfolios and their investment managers is very important. The goal is to select the index that provides the best representative mix of securities that truly reflect the institutionally investable equity markets. The criteria for selecting an appropriate benchmark are:

- » Breadth and depth of market coverage
- » Accuracy, consistency, and availability of data
- » Objectivity and transparency

There are two main reasons why we believe the Russell Global Indexes are the most appropriate benchmarks:

- I. **Russell Global Indexes more broadly capture the investable stock universe**, creating a more inclusive benchmark series.

- II. **The methodology of the Russell Global Indexes applies uniform liquidity and capitalisation criteria across the world equity market.**

MSCI, on the other hand, uses different criteria for developed and emerging markets countries and it also takes a country rather than a security perspective in its index construction. We believe that the Russell Global Indexes' uniform criteria across markets best captures the approach managers use to invest.

New investment strategy for Russell Global Opportunities Portfolio

From 31 December 2010, Russell will be changing the investment strategy of the Russell Global Opportunities Portfolio so that the portfolio moves to an all country approach to investing compared to the current approach of developed only plus tactical emerging markets.

The change in investment strategy is supported by a change in the benchmark to the Russell Global Large Cap Index.

Details of these changes are provided below:

Russell Private Active Pension Portfolios

Portfolio name		
Russell Global Opportunities Portfolio	Current benchmark	New benchmark (from 31/12/2010)
	MSCI World Net Dividends Reinvested Accumulation Index	Russell Global Large Cap – Net
	Current investment strategy	New investment strategy (from 31/12/2010)
	The Portfolio is predominantly exposed indirectly to a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the MSCI World Index). The Fund may also be exposed to emerging market equity securities and derivatives.	The Portfolio is predominantly exposed indirectly to a broad range of international shares listed on stock exchanges in developed international markets and emerging markets securities (such as countries included in the Russell Global Large Cap Index). The Fund may also be exposed to derivatives.

Accessing the new PDS

These changes will be reflected in our supplementary Product Disclosure Statement (supplementary PDS), which will be issued on 29 October 2010. A copy of the supplementary PDS will be available electronically at http://www.russell.com/AU/_pdfs/pds/private-series/RPAP_PDS.pdf from 29 October 2010. Alternatively, you can contact us if you would like a paper copy of this information free of charge.