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Russell announces Enhanced Asset Allocation

Suite of innovative services identifies and acts when markets are at unsustainable levels

LONDON, OCTOBER 5, 2009 – [Russell Investments](http://www.russell.com) has announced a suite of innovative services called **Russell Enhanced Asset Allocation (EAA)** that seeks to identify significant unsustainable movements in the market and then outline a path for investors to potentially increase investment returns while managing for risk and liquidity.

In developing Enhanced Asset Allocation, Russell has drawn on the work completed over the last decade by its global team of investment strategists to create and refine market forecasting models and possible impacts to strategic asset allocation efforts. Encompassing 11 geographic regions and 11 asset classes, the forecasting models are based on the belief that asset classes at times exhibit relative opportunities that can be leveraged by the investor. Currently, Russell Enhanced Asset Allocation process seeks to identify these occurrences for 114 asset-class pair comparisons and then recommend investment action.

“As the last two years have demonstrated, the markets can move in extremes, and these extremes can represent real investment opportunities. Unlike other asset class timing approaches, Russell Enhanced Asset Allocation provides a disciplined, structured and high-conviction approach for investors to respond to markets that are at very likely unsustainable levels,” said Pete Gunning, global chief investment officer. “We have offered this service to select clients and are now offering EAA broadly as a service that will allow Russell’s clients the flexibility to shift their investment portfolio based on the insights of Russell’s global network of investment strategists and market researchers.”

Enhanced Asset Allocation can work by identifying a significant disequilibrium between asset classes. For example, Russell strategists saw this last year in the Australian dollar and U.S. dollar where the Australian dollar was 40 percent above its equilibrium levels, real interest rate differentials were at record highs and momentum filters such as commodity prices were turning negative. These signals, along with the price of the Australian dollar suggested disequilibrium. Early this year, another dislocation was found between global corporate credit and global sovereign (government) bonds.

As part of Russell’s portfolio management approach, EAA encourages clients to maintain a strong adherence to their strategic asset allocation and to undertake deviations from the strategic benchmark only with a full awareness of its impact throughout the portfolio. Additionally, Russell will work with clients to ensure that any adjustments or ‘tilts’ resulting from EAA do not overwhelm or interfere with their other investment activities.

“With several decades of experience as a consultant to institutional investors across the world, Russell has a unique expertise in fund construction and risk management,” said Gunning. “Enhanced Asset Allocation will live within the context of strategic asset allocation, automatic rebalancing and risk budgeting. Our clients should understand this suite of services as a sophisticated and innovative means toward adding incremental returns that should never fundamentally alter their strategic asset allocation.”

Initially, Russell will provide EAA to institutional investors as a collection of data, advice and fiduciary services. Over time, the actionable insights and direct implementations are expected to be made available to defined contribution plans and retail investors.

“I am confident that Enhanced Asset Allocation will help our clients add to the management of their investment portfolio and do so with a firm handle on risk, fiduciary responsibility and proper governance,” said Andrew Doman, President and Chief Executive Officer of Russell. “At Russell, we are proud of our long heritage of investment innovation, which now includes bringing informed tilts to asset allocation within a strategic, risk-managed framework.”

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About Russell

[Russell Investments](#) is a global investment company with \$151 billion in assets under management as of June 30, 2009. Russell serves individual, institutional and advisor clients in more than 40 countries and provides investment solutions including mutual funds, retirement investments, institutional asset management, implementation services and global stock market indexes. Russell is renowned for its depth of manager research, quality of manager selection and access to some of the world's leading investment managers. It helps investors of all sizes put this access to work in corporate defined benefit and defined contribution plans, and in the life savings of individual investors.

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