

Overlay Services

The efficient edge
you've been looking for.



In an increasingly complex investment world, you need every advantage you can find.

A flexible implementation tool

As the investment landscape evolves in new directions, derivatives overlays are quickly becoming an essential tool for managing investment portfolios.

Russell Investments offers an overlay platform that supports a broad range of derivatives-based solutions. Our capabilities can help you minimise inefficiency and implement leading-edge investment strategies.

Policy Implementation

With our policy implementation service, Russell combs through your portfolio in search of slippage – inefficiencies that lead to lower return and higher risk.

Through the use of a derivatives overlay, we can correct the underlying source of slippage. For example, we overlay frictional cash with the underweight asset classes, combining equitisation and rebalancing in one trade with the aim of simultaneously improving performance and reducing unintended risk. To minimise transaction costs, we employ multiple strategies that avoid trading physical securities whenever possible.

Beta management for portable alpha

Russell uses derivatives overlays to manage the market exposure (beta) associated with portable alpha strategies. We work with you to determine the best instruments to use for your particular strategy - typically futures, swaps or a combination of the two. In doing so, we consider a number of factors, such as cost, basis risk, liquidity requirements and the underlying alpha source.

Russell is a full-service beta manager. Beyond maintaining your desired exposures as cost effectively as possible, we assist you in making your overall programme a success. For instance, we remove embedded beta where necessary, coordinate cash flow activity and provide full performance reporting on the overlay.

Liability Hedging

Many investors recognise that they are exposed to interest rate and inflation risk but do not have high conviction that this exposure will add value. Hedging this risk through increased physical bond holdings may not be feasible or desirable given the investment opportunity cost.

A derivatives overlay from Russell allows you to gain interest rate exposure synthetically, while leaving most of your cash available for return-seeking strategies. We understand the investment rationale for these strategies and the implementation nuances required to achieve the desired results.

THE FOCUS YOUR OVERLAY DESERVES

While a derivatives overlay can be a powerful tool, it requires considerable expertise and fiduciary oversight. That's why Russell commits significant, specialised resources to your portfolio and provides you with the highest standard of care.

- › Over 20 Russell professionals are dedicated to providing overlay services
- › They execute trades through our 20-person derivatives trading desk, which is staffed 24 hours a day.
- › 8 CFA charterholders
- › Portfolio Managers average 11 years of experience

Additional applications

Most of our clients initially ask us to create a derivatives overlay for a specific purpose. An overlay can be used to efficiently manage multiple exposures at the total fund level, opening the door to a whole new set of opportunities.

Below are several more examples of ways to capitalise on a derivatives overlay from Russell:

- › Fund Restructuring. Effect changes resulting from major shifts in your asset allocation or mergers of multiple plans, independent of the movement of physical securities.
- › Informed rebalancing. Implement tactical tilts around a long-term policy target.
- › Currency Overlays. Add or remove currency exposures.
- › Episodic Cash Flows. Manage contributions into and disbursements from your portfolio more efficiently.
- › Support Investment in Alternatives. Manage the cash flows associated with a private equity, property or hedge fund programme.

A derivatives overlay is quickly becoming a “must-have” tool for managing pension fund assets. Let Russell’s Overlay Services Team help you take your fund to the next level.

Russell Investments, experts in derivatives overlays.

Russell has been managing derivatives overlays since 1986. Today, we oversee approximately \$83 billion in synthetic exposure for some of the world’s largest institutional investors.

We understand the nuances and complexities involved in overlay management. As a Russell client, you can rest assured that all of the implementation details are being taken care of - and that your fund’s interests always come first.

Russell manages overlay portfolios for more than 70 institutional clients representing approximately \$700 billion in assets - a deliberately small number of large, sophisticated investors from across the globe. Our clients tell us how much they value the time and attention we devote to their funds.



We have developed extensive trading and risk systems specifically for overlay services. Risk management is central to our investment process, which incorporates multiple controls and checks throughout.



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For more information:

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Other related services include:

- Transition Management
- Interim Portfolio Management
- Agency Foreign Exchange
- Execution Services
- Portfolio Solutions
- Commission Recapture



From our focus on performance to our award-winning client service, you can trust your transition to Russell.

For more information, call **David Rae**, Director, Overlay Services, EMEA, on **+44 (0)207 0214 6310** or visit **www.russell.com/uk**

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