

## Agency FX

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More choice.  
More transparency.  
Consistently lowered costs.



# Overlooking FX trading can erode your hard-earned investment performance.

## A MATERIAL IMPACT ON YOUR PORTFOLIO

International investing offers the potential for greater return, but foreign exchange (FX) trading introduces additional elements of cost, risk and complexity. Actual results may fall short of expectations if your FX trades do not receive the attention they deserve.

Research shows that the cost of executing currency transactions is surprisingly high. For example, trades sent through a designated principal counterparty can cost over 18 basis points.<sup>1</sup> The massive size of the FX marketplace does not guarantee efficient outcomes—particularly when the execution provider has a monopoly on your order flow.

## The currency expertise you need.

Russell has been executing FX transactions since 1994. In 2010, we traded more than £218 billion, including most major developed, emerging and restricted currencies.

Russell was a pioneer in bringing Agency FX trading to the institutional marketplace. We initially adopted the pure agency approach to reduce currency execution costs in our multi-manager funds. We have built a world-class FX capability around the pure agency concept, which we make available to investors like you.

At your service is a team of Russell currency specialists with more than 50 years of combined experience. The team leverages sophisticated trading and settlement systems to minimize the cost and operational risk of your FX transactions.

<sup>1</sup> Russell Investments analysis of investment manager and pension fund FX transactions for 2010.

<sup>2</sup> Russell Investments FX transactions for 2010.

## AGENCY FX WITH RUSSELL MANAGED FX TRADING

Russell can help you capture more of the return benefit of your international allocation, while bringing greater transparency and operational efficiency to your fund.

With Russell Managed FX Trading, Russell assumes responsibility for the execution and settlement of your currency transactions. We trade on a pure agency basis, acting exclusively on your behalf. You can feel confident knowing that Russell is your trusted fiduciary, committed to providing you with best execution.

Our Agency FX services can easily be integrated into your investment program, whether you handle your currency needs internally or delegate all or part of this function to your international managers.

### Reducing your transaction costs with Agency FX

Russell Managed FX Trading has resulted in lower currency transaction costs relative to the widely used principal trading model. The average execution outcome from Russell-executed trades is less than one basis point before Russell's agency fee.<sup>2</sup>

We help keep your costs low because our pure agency approach introduces more choice and oversight into the execution process. We capitalise on a variety of liquidity sources to match your trades and save spread costs. When a match is not available, we transact through competing, multi-venue trading platforms on your behalf, monitoring execution quality in real time.

Principal FX trading is generally more expensive than Agency FX trading, due to the combination of the following factors:

- › Tendency among sponsors and their managers to direct transactions to a single principal counterparty as part of a default instruction. While seemingly convenient, this common practice eliminates price competition.
- › Lack of transparency in the FX market, which presents opportunities for execution providers—transacting on a principal basis—to profit at your expense. In a principal trade, the counterparty is buying and selling out of a proprietary book.

Russell does not have a proprietary book. Rather, Russell acts as a pure agent, competing trades in the market place which generates price improvement and greater transparency as to relative execution outcomes. We earn a fixed fee, which we fully disclose up front. We pass all benefits of Agency FX trading directly to you, including savings related to reduced bid/ask spreads, market impact and custodian charges.

### Offering you greater transparency and control

Russell Managed FX Trading gives you complete visibility into your currency transactions. We provide you with detailed performance reports that include time stamps for all of your executions. These improvements in transparency and control put you in a stronger position to meet the growing demands of regulators.

### Assuming the operational risk and conserving your resources

FX transactions require considerable time and resources, due to the potentially large financial losses that can be associated with inefficient or inaccurate trades. Russell assumes responsibility for operational tasks and risk, allowing your managers to concentrate on generating alpha in your portfolio. If you are handling FX internally, you will have more time to spend on mission-critical activities.

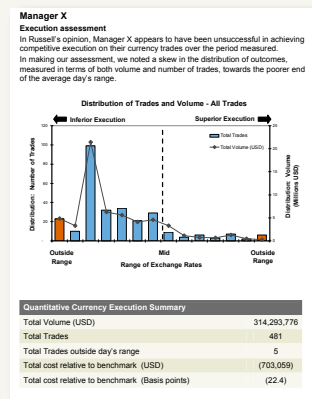
## APPLYING AGENCY FX TO PASSIVE CURRENCY OVERLAY

Currency exposures can create unwanted volatility in your fund—volatility that can work against you. With a customised hedging program from Russell, we manage your FX exposures according to your preferred strategic hedge ratio. You achieve your desired tracking error at a very low cost, because we transact on a pure agency basis.

You benefit from the strong working relationships we have with many custodians and the in-depth review we perform on your raw custodian data. Our expertise helps ensure the smooth transmission and accuracy of your information, thereby minimizing operational costs and potential errors in your account.

## A FOCUS ON FX

You may not know what you are paying for your currency trades, let alone if you are paying too much. Russell's Currency Review service can measure the competitiveness of your executions for you. The comprehensive written analysis we provide gives you a sound basis for making return-enhancing changes to your existing practices.

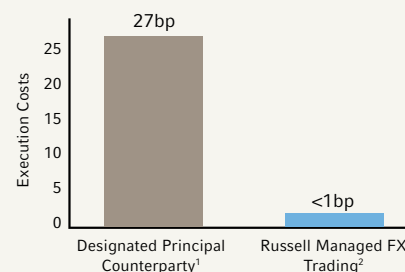


As part of Russell Managed FX Trading, we monitor your currency transactions in real time to help ensure that you receive the best executions possible.



Russell Managed FX Trading has resulted in lower transaction costs because we trade on an agency basis.

### Comparison of Currency Execution Strategies



<sup>1</sup>Russell Investments analysis of indirectly traded investment manager and pension fund FX transactions for 2010. Indirect trading involves appending FX instructions to trade tickets or electronic messages sent to the principal counterparty

<sup>2</sup>Russell Investments FX transactions for 2010.

Images are for illustrative purposes only.

For more information:

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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](http://www.russell.com/uk)**

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Issue date: May 2011

EMEA104 - Agency FX May 2011