

**SAMPLE REPORT - FOR
ILLUSTRATION PURPOSES ONLY**



Pension Investment Proposal

in association with XYZ Advisers

ABC Pension Scheme

JULY 2011

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Investment proposal

ABC Pension Scheme

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Executive summary

This Investment proposal has been prepared for the trustees of ABC Pension Scheme (the Scheme”).

In constructing this proposal we have developed an understanding of the Scheme particulars, including the structure of the current investment portfolio and asset mix, current and future liabilities and investment objectives.

The Scheme specific information used to create the proposal is available in **Appendix 1 – Scheme Particulars**.

In this investment proposal:

- We demonstrate our longstanding experience of working with pension schemes and our ability to provide innovative solutions to help them achieve their investment goals.
- We have undertaken a review of your current investment portfolio to see if the performance of this can be improved from a risk / return perspective. In particular we have assessed whether we can improve performance whilst maintaining risk or, alternatively maintain performance whilst decreasing risk.
- We have used the Scheme’s unique liability profile as the initial basis for our strategic recommendations. This approach is likely to differ from other investment providers who may simply propose a more efficient asset based investment strategy without considering current and future liabilities. We believe that a more robust approach is necessary and that by considering the Scheme’s liabilities we are able to propose a more appropriate range of investment strategies.
- Further, we believe that applying this approach will help the trustees meet the recommendations of The Occupational Pension Schemes Regulations. In particular, that in exercising their investment powers trustees should:
 - invest their assets in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the scheme, and
 - the assets of the scheme must be properly diversified in such a way as to avoid excessive reliance on any particular asset...and to avoid accumulations of risk in the portfolio as a whole.
- We present three investment strategies based on our understanding of the Scheme’s investment objectives and its liability profile. The three strategies are constructed with the following aims:
 - Optimising for risk – a strategy that aims to maintain the same level of expected return as your current portfolio, but by taking a lower level of risk.
 - Optimising for return – a strategy that aims to maintain a similar level of expected risk as your current portfolio, whilst aiming for a higher level of return.
 - Mid portfolio – a strategy which sits equally between the optimal risk and optimal return strategies. Therefore, this strategy aims to provide both an increase in your expected return and a reduction in the current level of risk you are taking.

However, these strategies are not exclusive and the trustees could choose to construct any portfolio which lies on the efficient frontier presented later in this proposal.

We will continue to work closely with your adviser to ensure we provide the most appropriate service to meet your needs. We welcome further discussion to ensure that the analysis we have provided and the strategies proposed are appropriate and meet your investment objectives.

Russell's pensions heritage

Consulting, Asset Management, Implementation and Indexes

All Russell Investment services are focused on providing investment solutions for our clients. We do not have an actuarial, administrative, custody or investment banking practice which takes precedence over our business. Our income derives solely from our investment content and as such our success relies solely on our ability to generate investment insights and adapt them to our clients' circumstances. The proposed strategies within this proposal are enriched by our practical experience in implementing investment solutions for clients for many decades.

Russell's primary business lines are Investment Management, Implementation Services, Consulting & Advisory services and Russell Indexes. These global businesses work with the regional business units to deliver innovative products and services to our clients anywhere in the world.

- **Investment Management:** Within our Investment Division, our manager research analysts are dedicated to identifying superior investment managers with sustainable value propositions. Our global research resource enables us to undertake extensive analysis of fund managers from around the world with the aim of finding the best managers for our portfolios. These "best ideas" are used in our multi manager solutions which cover all major asset classes including equity, fixed income, property, commodities and alternatives.
- **Implementation Services:** Russell has over 40 years of consulting experience and 30 years of investment experience from implementing our own advice in our multi manager solutions. This gives us valuable market insight into many of the practical difficulties of implementing investment advice. This experience enriches our multi manager solutions and is also employed by third party investors as a separate enhancement to their own portfolios.
- **Consulting & Advisory Services:** Russell's global Consulting & Advisory Services team is responsible for providing advice to pension schemes on all aspects of the investment process including governance, investment policy setting, asset allocation, asset class strategy and manager selection.
- **Russell Indexes:** Russell provides a family of equity indexes for institutional investors. Russell's global indexes offer an objective and transparent way to accurately measure distinct segments of the global market and are used to supplement our measurement and analysis of capital global markets.

Russell has won several awards in recognition of our high standards of portfolio management and implementation services. Some of our recent awards include:



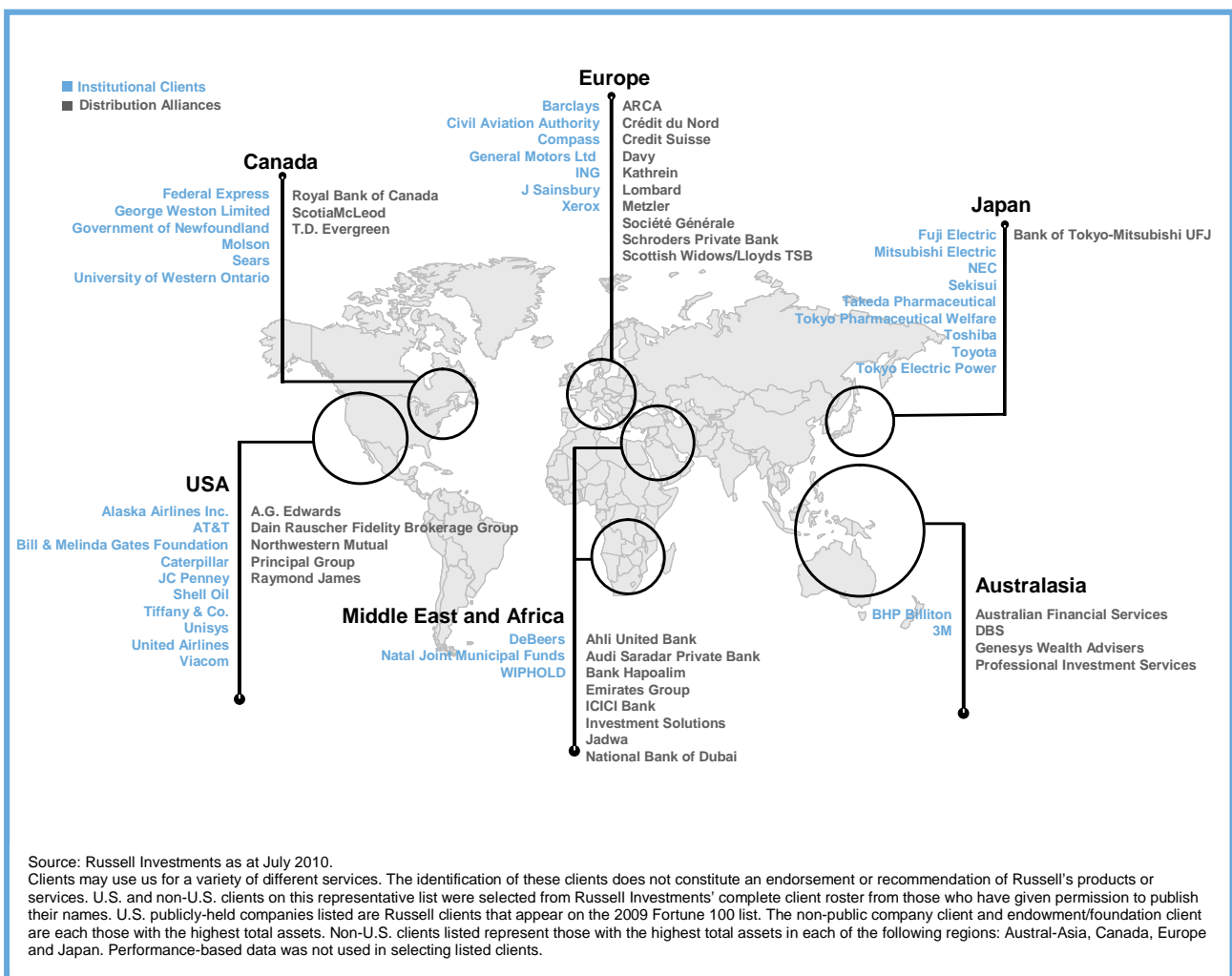
Our clients

With £99.3 billion of assets under management (Source: Russell Investments as at 31 December 2010) and clients throughout the world, we believe Russell Investments is one of the most trusted and influential providers of investment services in the Defined Benefits Pensions market today.

We work with investors of all sizes to help them achieve their investment objectives. Our clients include defined benefit and defined contribution pension schemes, endowments, foundations and sovereign wealth funds. We also make our investment approach available to individual investors through a network of strategic distribution alliances and independent investment advisers.

We have provided a representative list of our clients below, demonstrating the range of investors that trust Russell to advise on and implement their investment solutions:

Some of our clients



The evolution of investment strategies

At Russell we have witnessed a steady evolution of the investment strategies implemented by Defined Benefit Pension Schemes.

Ten years ago, it was common practice for pension schemes to focus purely on the asset side of their investment strategies and allocate a large portion of their portfolios to domestic asset classes. During the last decade there has been a clear evolution of that approach. Some key themes have included:

- A general reduction in the allocation to domestic asset classes (UK equities and sterling bonds) as schemes have diversified and invested in international markets.
- A move into a wider range of asset classes (in addition to the traditional equity and bond holdings) to include allocations to property, infrastructure, commodities and currencies.
- A greater focus on liabilities and a move to more closely align asset strategies with ongoing liability commitments.

The benefits of a well diversified portfolio

Simply put, diversification allows investors to reduce investment risk by spreading investments across a range of different asset classes, as opposed to investing in just a few.

At Russell, we believe that, by diversifying appropriately, it's possible to increase expected returns without increasing the level of investment risk taken. Alternatively, we believe it's possible to reduce risk whilst maintaining expected levels of return. Both of these outcomes help to improve the investment efficiencies of investor portfolios.

We implement a multi asset, multi manager, multi style strategy within our funds that spreads risk across multiple asset classes. By combining funds in an intelligent way, we believe we can deliver robust, sophisticated portfolios that provide investors with access to a wide range of investment opportunities in a risk-controlled manner.

Implementing a liability driven investment approach

The investment strategies presented consider the forthcoming liabilities of the Scheme within the portfolio recommendations.

By taking this approach we hope to propose strategies with an asset mix more closely aligned to the liability needs of the Scheme, rather than taking a pure asset strategy approach.

Working closely with your adviser and using data from your actuarial valuation report we have considered the Scheme's unique position in terms of its maturity, current funding level and expected cash flows over the coming years. This analysis is undertaken so that the proposed investment strategies are aligned with the ongoing liability needs of your Scheme.

Implementing an efficient investment strategy

The solutions we have recommended have been developed within an asset-liability framework which considers the current and future liabilities of the Scheme in the construction of the asset strategies.

Design of the solutions follows a three step process:

- First, we analyse the Scheme's liabilities using data from your latest actuarial valuation report and using any relevant updates provided to us. This considers the Scheme's unique position in terms of its maturity, current funding level and expected cash flows over the coming years.
- The liability analysis puts forward a broad allocation to asset classes based on the position of the Scheme. The allocations to the various asset classes are made in such a way as to deliver a better risk-reward portfolio than the Scheme's current portfolio.
- Finally, the broad asset allocations are mapped to the IM Russell ICVC Fund range, a sophisticated range of multi manager funds managed by Russell Investments. The proposals are intended to present diversified investment strategies which are more closely aligned with the Scheme's liabilities. This proposal includes three investment strategies with different risk / return characteristics for consideration.

IM Russell ICVC Funds

The proposed investment strategies in this paper include allocations to one or more of four sophisticated multi manager funds managed by Russell Investments.

These funds provide exposure to a range of assets and include ideas from a number of different investment managers. Russell's in depth manager research allows us to identify what we believe to be some of the best investment managers from around the world for inclusion in these funds.

IM Russell ICVC UK Growth Assets Fund

The fund aims to achieve its objective of long term capital appreciation by investing predominantly in Sterling denominated equity securities, collective investment schemes which invest predominantly in Sterling denominated equity securities and/or other investments permitted by the COLL Sourcebook (for example depositary receipts), that gain exposure to Sterling denominated equity securities or Sterling denominated fixed income securities.

IM Russell ICVC International Growth Assets Fund

The fund aims to achieve its objective of long term capital appreciation by investing predominantly in • non-Sterling denominated equity securities, collective investment schemes which invest predominantly in non-Sterling denominated equity securities; and/or other investments permitted by the COLL Sourcebook (for example American Depositary Receipts and Global Depositary Receipts) that gain exposure to non-Sterling denominated equity securities or Sterling denominated fixed income securities.

IM Russell ICVC Defensive Assets Fund

The Fund seeks to achieve its objective of long-term capital appreciation by investing predominantly in global fixed income securities, money market instruments, cash and near cash, deposits, collective investment schemes that invest predominantly in global fixed income securities, money market instruments, cash and near cash, deposits or schemes whose objective is to exceed a cash benchmark; and/or collective investment schemes that invest predominantly in equity securities or which adopt other appropriate investment strategies.

IM Russell ICVC Real Assets Fund

The fund aims to achieve its objective of long term capital appreciation by investing predominantly collective investment schemes and other investments (for example transferable securities) that provide exposure to alternative asset classes such as global property, infrastructure, commodities (indirectly, for example through exchange traded commodity index futures) and inflation linked securities, global fixed income securities and/or global equity securities.

An overview of the IM Russell ICVC funds is provided in the Fund Information Sheets provided in **Appendix 4 – IM Russell ICVC Funds**.

Full details of the IM Russell ICVC Funds are available within the Fund Prospectus and Simplified Fund Prospectus both of which are available from Russell Investments or from the Authorised Corporate Director, IFDS Managers Limited, IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

Investors should ensure they read the full Fund Prospectus before investing in these funds.

Proposed Investment strategies

Based on the asset and liability analysis undertaken, we propose the following investment strategies.

The projections or other information generated regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Details of the Scheme specific information used to create this proposal are available in **Appendix 1 – Scheme Particulars**.

The three strategies presented below offer different degrees of projected risk and return – all of which we have compared against your current portfolio. Table 1 below provides a comparison of your current portfolio against the 3 suggested investment strategies.

The figures for projected return and risk provide an estimate of what each strategy might be expected to achieve on average each year over a full market cycle of 10 years or more and possible fluctuations over that period. The Relative Risk projections define the portfolio risk against the expected movement of your liabilities over time – we believe this to be the most important risk measurement for a pension scheme and this is the risk measurement referred to throughout this proposal. The Total Return and Total Risk projections are based on the expected performance of the asset portfolios in absolute terms and are provided for illustrative purposes only.

1. Optimal Risk Portfolio

In this strategy we have created a portfolio which aims to maintain a similar level of expected return as your current portfolio with a lower level of expected risk.

By choosing to invest in this portfolio the trustees would be implementing a more efficient portfolio in terms of the level of Relative Risk which has reduced from 14.64% to 12.32%.

2. Optimal Return Portfolio

In this strategy we have created a portfolio which aims to maintain a similar level of relative risk as your current portfolio whilst aiming for the highest level of return achievable.

By choosing to invest in this portfolio the trustees would be implementing a more efficient portfolio in terms of the level of total expected rate of return which increases from 5.08% per annum to 5.33% per annum (averaged over a 10 year period).

3. Mid Portfolio

In this strategy we have created a portfolio which sits equally between the optimal risk and optimal return strategies above in terms of risk and return. This strategy aims to provide an increase in your expected return and a reduction in your current level of risk when compared to the current portfolio.

Table 1: Portfolio comparison (results generated using the data shown in Appendices 1 and 2)

| Asset Allocation | Current Portfolio | Optimal Risk Portfolio | Mid Portfolio | Optimal Return Portfolio |
|---|-------------------|------------------------|---------------|--------------------------|
| UK Equity | 43.2% | 0.0% | 0.0% | 0.0% |
| Global Equity (hedged) | 38.8% | 0.0% | 0.0% | 0.0% |
| Global Aggregate hedged | 1.1% | 0.0% | 0.0% | 0.0% |
| UK Aggregate | 14.4% | 0.0% | 0.0% | 0.0% |
| UK Index Linked Gilts | 0.8% | 0.0% | 0.0% | 0.0% |
| Cash | 1.7% | 0.0% | 0.0% | 0.0% |
| IM Russell ICVC UK Growth Assets | 0.0% | 15.0% | 17.5% | 17.5% |
| IM Russell ICVC International Growth Assets | 0.0% | 42.5% | 50.0% | 55.0% |
| IM Russell ICVC Real Assets | 0.0% | 20.0% | 20.0% | 20.0% |
| IM Russell ICVC Defensive Assets | 0.0% | 22.5% | 12.5% | 7.5% |
| | | | | |
| Total Return(%p.a.) | 5.08% | 5.07% | 5.24% | 5.33% |
| Relative Risk (std dev p.a.) | 14.64% | 12.32% | 13.92% | 14.74% |
| Total Risk(std dev p.a.) | 14.33% | 11.99% | 13.68% | 14.55% |

Data presented for illustrative purposes only

More information about the assumptions used in the calculation of Risk and Return figures is available in **Appendices 1 and 2**.

Each strategy accesses a broad range of investment opportunities – including equities and bonds – but also provides exposure to Commodities, Property and Infrastructure.

Table 2: Asset breakdown by portfolio (detailed using current fund allocations)

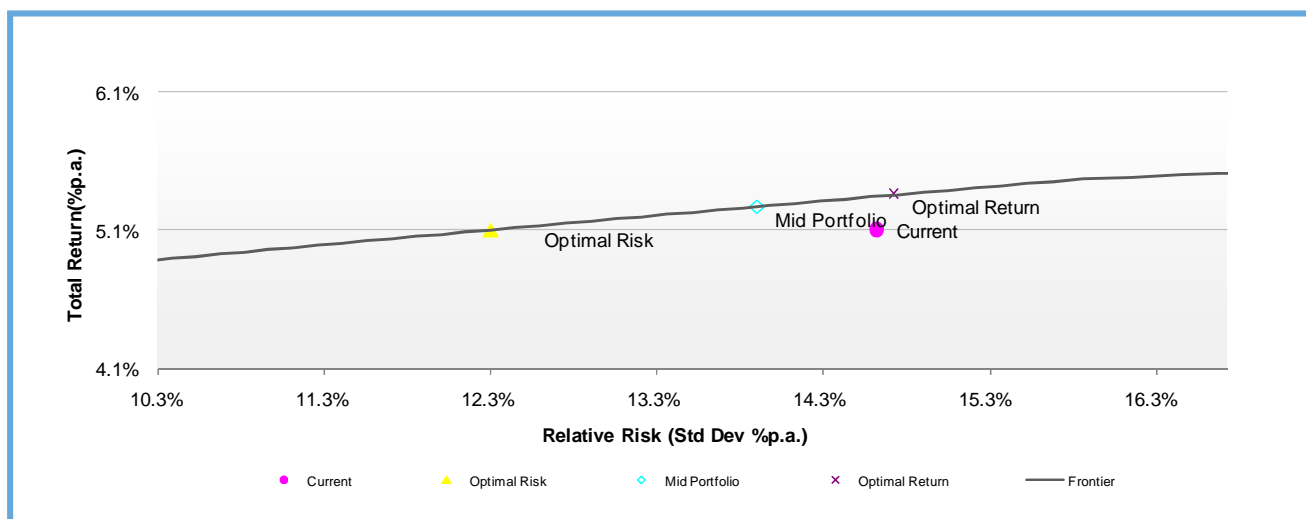
| Asset Class | Optimal Risk Portfolio | Mid Portfolio | Optimal Return Portfolio |
|--|------------------------|---------------|--------------------------|
| IM Russell ICVC UK Growth Assets | 15.0% | 17.5% | 17.5% |
| UK Equities | 15.0% | 17.5% | 17.5% |
| IM Russell ICVC International Growth Assets | 42.5% | 50.0% | 55.0% |
| Global Equities (ex UK) | 42.5% | 50.0% | 55.0% |
| IM Russell ICVC Real Assets | 20.0% | 20.0% | 20.0% |
| Commodities | 5.8% | 5.8% | 5.8% |
| Commercial Property | 5.0% | 5.0% | 5.0% |
| Listed Infrastructure | 5.0% | 5.0% | 5.0% |
| Inflation-Linked Bonds | 3.0% | 3.0% | 3.0% |
| Cash | 1.2% | 1.2% | 1.2% |
| IM Russell ICVC Defensive Assets | 22.5% | 12.5% | 7.5% |
| Absolute Return | 4.3% | 2.4% | 1.4% |
| Global Bonds | 4.3% | 2.4% | 1.4% |
| Sterling Bonds | 4.3% | 2.4% | 1.4% |
| Sterling Corporate Bonds | 4.3% | 2.4% | 1.4% |
| Cash | 5.4% | 3.0% | 1.8% |

Data presented for illustrative purposes only

Risk Reward spectrum of the proposed investment strategies

Chart 1 illustrates the Relative Risk and Total Return expectations for each of our investment strategies. The line in the chart – the “efficient frontier” - indicates the most efficient combination of the underlying funds and their associated risk and return projections. Any portfolio which sits below and to the right of this line is a less efficient investment strategy.

Chart 1: Risk / Reward profile of Russell recommended strategies (results generated using the data shown in Appendices 1 and 2).



Data presented for illustrative purposes only

Appendix 1 – Scheme particulars

This report provides portfolio analysis and investment strategies based on the information detailed in your latest actuarial valuation report and any relevant updates provided. We have also made some assumptions to complete the analysis. Please review the following details to ensure that our proposal is appropriate to you.

Scheme information used in our analysis and strategy proposals

Contribution Details

Deficit Contributions:

| | |
|---------|---------|
| Year 1 | 195,000 |
| Year 2 | 195,000 |
| Year 3 | 195,000 |
| Year 4 | 195,000 |
| Year 5 | 195,000 |
| Year 6 | 195,000 |
| Year 7 | 195,000 |
| Year 8 | 195,000 |
| Year 9 | 195,000 |
| Year 10 | 195,000 |

Employer Contributions: 10.50%

Employee Contributions: 4.00%

Liability

Pensioner Value: £1,468,735.49

Active Value: £3,592,037.08

Deferred Value: £4,311,658.34

Pre Retirement Discount Rate: 6.60%

Post Retirement Discount Rate: 4.60%

Inflation assumption used: 2.96%

Average age of Active: 52

Average age of Deferred: 52

Average age of Pensioners: 70

Mortality assumed:

Active Life Expectancy at NRA : 23

Deferred Life Expectancy at NRA : 23

Pensioner Life Expectancy at NRA : 22

Increase in Pensionable salary: £0.03

Current Pensionable Salary Roll: £1,091,205.00

Normal Cost/Cost of Accrual: 14.50%

Assets

Market Value of assets split by asset classes: £6,589,344.08

Current Asset Allocation

UK Equity: 43.2%

Global Equity hedged: 38.8%

Global Aggregate hedged: 1.1%

UK Aggregate: 14.4%

UK Index Linked Gilts: 0.8%

Cash: 1.7%

Notes

The assets and liabilities were rolled-forward from 6 April 2010 to 31 December 2010. As the full Actuarial Valuation was unavailable the analysis assumes that the membership ages are in line with industry average ages for actives, deferred members and pensioners.

Appendix 2 – Risk & return

The asset class assumptions used to generate the expected return and risk values are created with proprietary models incorporating historical index data for the FTSE All Share (UK Equity), Russell Developed ex. UK Sterling Hedged (International), Retail Prices Index - RPI (Real Assets) and Bank of England Base Rate (Defensive). Indexes are unmanaged, and do not reflect the deduction of any management fees, and cannot be invested in directly. They are provided for general comparison purposes only. Index performance is not indicative of any specific investment, and should not be viewed as a representation of future results. Deductions for fees and expenses are not reflected in index returns. If they were deducted, returns would be lower. Index return information is provided by vendors and although deemed reliable, is not guaranteed by Russell or its affiliates.

Asset class assumptions - 10-year horizon as of 30 June, 2010

| Asset Class | Mean Return | Standard Deviation | Correlation coefficients: | | | |
|---------------|-------------|--------------------|---------------------------|---------------|------------|---------------------|
| | | | UK Growth | International | Real Asset | Defensive Inflation |
| UK Growth | 6.9% | 18.0% | 1 | | | |
| International | 7.3% | 16.9% | 0.8 | 1 | | |
| Real Asset | 5.9% | 10.8% | 0.61 | 0.67 | 1 | |
| Defensive | 4.0% | 3.2% | 0.13 | 0.13 | 0.24 | 1 |

Source: Russell Investments based on proprietary capital markets models and analysis

Correlation coefficients, which can range from 1.0 to -1.0, measure the degree to which the movements of two variables (e.g. UK Growth asset class returns vs. International Growth asset class returns) are related. A correlation coefficient of 1.0 means that two variables move in a completely synchronised manner, while -1.0 means they move in a completely opposite way. A coefficient of zero means that movements are completely unrelated. Combining asset classes with lower or negative correlations may help reduce the volatility of returns over time.

Market index - A market index is a group of assets traded on a particular investment market, and a statistic reflecting the composite value of those component assets. It is used as a tool to represent the characteristics of its components, all of which bear some commonality such as trading on the same exchange, belonging to the same industry, or having similar capitalisations. Many indexes compiled by news or financial services firms are used to benchmark the performance of investment portfolios.

FTSE All Share - measures the performance of approximately 800 UK Shares (of a possible 2,000 approximately) that trade on the London Stock Exchange.

Russell Developed ex. UK Sterling Hedged - measures the performance of securities in developed countries globally excluding those from the United Kingdom, hedged to Sterling to reflect a UK investor's fully hedged currency position against this multi-currency benchmark. The Russell Developed ex-UK index is constructed to provide a comprehensive and unbiased barometer for this market segment and is completely reconstituted annually to accurately reflect the changes in the market over time.

Retail Prices Index (RPI) - measures the change in the cost of a basket of UK retail goods and services, regarded as a reasonable measure of inflation.

Bank of England Base Rate - is the interest rate that the Bank of England charges Banks for secured overnight lending. The bank base rate is set by the Bank of England and determines the cost of borrowing money. This base rate is used by commercial banks as a reference point when setting their own base rates. An increase in the base rate will cause an increase in the rates for mortgages and loans.

Appendix 3 – The potential impact on expected future funding levels

The potential impact on expected future funding levels

Chart 2 and the following tables illustrate the range of expected funding levels (assets as a percentage of liabilities) and surplus/deficit positions which could result from your current portfolio investments and the three strategy proposals (modelled over a 10 year time horizon).

This analysis uses a range of different values for each of the input variables and calculates the future expected funding levels for each scenario. This is a recognised method for calculating possible outcomes when there are a number of independent variables working at the same time and in this case the results can be used to compare the relative outcome of each strategy.

The input variables include specific information about the Scheme including the level of contributions, asset breakdown and liability profile. Additionally, we input various market return scenarios based on our own capital market assumptions. The simulations utilise the asset class assumptions defined in **Appendix 2 – Risk and Return**.

We have simulated 2,000 possible outcomes and plotted these in Chart 2, below. The bar charts for each portfolio are separated into percentile blocks for a more meaningful assessment of the results. The potential outcomes are presented from the highest funding levels (95th percentile) to the lowest funding levels (5th percentile). We discount the most extreme results for the purpose of this analysis.

In this way we are able to assimilate the range of future potential outcomes for each portfolio and the median result. This gives an indication of the expected dispersion of the outcomes.

Chart 2: Future expected funding levels
(results generated using the data shown in Appendices 1 and 2)



Data presented for illustrative purposes only

Table 3 details the same range of possible outcomes in tabular form.

Table 3: Future expected funding levels

| Percentiles | Original | 40 | Mid Portfolio | Optimal Return |
|-------------|----------|------|---------------|----------------|
| 5% | 36% | 40% | 37% | 35% |
| 10% | 43% | 47% | 44% | 43% |
| 25% | 57% | 61% | 60% | 59% |
| 50% | 80% | 80% | 81% | 82% |
| 75% | 109% | 103% | 108% | 111% |
| 90% | 142% | 132% | 141% | 146% |
| 95% | 169% | 150% | 162% | 170% |

Data presented for illustrative purposes only

1. Optimal Risk portfolio

- This strategy may result in a reduction in downside (underfunded) risk.
- 5th percentile (near lowest expectation outcome) improves projected funding level from 36% to 40%.
- Overall spread of expected outcomes is reduced which suggests a greater certainty of expected funding level outcomes.

2. Optimal Return portfolio

- This strategy may result in improved funding levels.
- Median outcome (50th percentile) increases from 80% (Current portfolio) to 82%.

3. Median expected outcomes

- All three strategies exhibit improved expected funding levels.
- Both the Mid Portfolio and the Optimal Return Portfolio improve expected funding level from 80% to 81% and 82% respectively.
- Optimal Risk portfolio broadly maintains expected funding level outcome reducing downside (underfunded) risk significantly.

Table 4 below provides the same analysis as Table 3 but with the expected monetary projections shown in terms of the potential deficits and surpluses that may result.

Table 4: Future expected surplus/deficit positions (£)

| Percentiles | Original | Optimal Risk | Mid Portfolio | Optimal Return |
|-------------|--------------|--------------|---------------|----------------|
| 5% | - 10,844,792 | - 10,334,421 | - 10,651,079 | - 10,863,312 |
| 10% | - 9,362,657 | - 8,767,610 | - 9,013,029 | - 9,187,889 |
| 25% | - 6,498,144 | - 6,078,304 | - 6,204,837 | - 6,293,632 |
| 50% | - 2,972,156 | - 2,949,060 | - 2,807,698 | - 2,672,898 |
| 75% | 1,252,830 | 465,905 | 1,236,515 | 1,624,158 |
| 90% | 5,940,455 | 4,190,694 | 5,683,303 | 6,454,057 |
| 95% | 9,804,883 | 6,541,555 | 8,739,901 | 9,871,422 |

Data presented for illustrative purposes only

Appendix 4 – IM Russell ICVC Funds

The following information sheets provide an overview of the four funds used in the construction of this proposal:

- IM Russell ICVC UK Growth Assets
- IM Russell ICVC International Growth Assets
- IM Russell ICVC Defensive Assets
- IM Russell ICVC Real Assets

Please refer to the Prospectus and Simplified Prospectus for full details of the Fund Objectives and Investment Policies.

For distribution to Investment Professionals only

IM Russell ICVC UK Growth Assets Fund

Performance Review¹

| | One Month % | Three Months % | Year to Date % | Since Inception % |
|---|-------------|----------------|----------------|-------------------|
| IM Russell ICVC UK Growth Assets Fund (Class C Fees) ² | -0.4 | 1.6 | 2.0 | 10.4 |
| Benchmark (FTSE All-Share Index) | -0.5 | 1.9 | N/A | 10.5 |

Source: Russell/Confluence, in UK sterling terms, net of fees, Data as at 30/06/2011,

¹ These funds are priced at 7:00am each morning whereas the benchmark is priced at close of business each day. For benchmark comparable analytical purposes therefore the NAV have been artificially moved to the previous working day.

² This quarterly performance review is now based on Class C fees (0.90% per annum). Prior to June 2010, the performance was based on Class A fees (1.65% per annum).

Quarterly Market Comment

The second quarter remained a turbulent environment for UK investors, with the FTSE All Share Index down 0.5% as continued fears over sovereign debt defaults among peripheral European economies and concerns over the sustainability of the economic recovery led to volatile markets which eroded demand for riskier assets.

The quarter began positively with UK equities advancing as the earnings season gained momentum. Retailers surged, as earnings unexpectedly beat analyst expectations. Financials experienced a minimal recovery in April, notably among insurers, as rising investment income offset the still-developing impacts from the Japanese earthquake. Meanwhile, UK inflation declined with the headline rate falling to 4% from 4.4%, contrary to some economists' predictions of a rise to nearer 5%. The market then experienced a decline in May as confirmation of a GDP growth rate of just 0.5% for the first quarter (meaning the UK lagged behind its Continental European peers), weighed on investor sentiment. However, a last-minute rally helped the FTSE All Share Index to finish the month up in June, bolstered by news that the Greek parliament approved another austerity round.

From a sector perspective, commodity-related sectors, such as oil & gas and basic materials were the major laggards, whilst more defensive areas of the market drove returns.

Quarterly Fund Comment

- The Fund performed broadly in line with the benchmark during the period. The portfolio benefitted from an underweight to basic materials as commodities-related stocks struggled. Stock picking among industrial stocks also contributed to performance, as did an overweight to health care. Exposure to William Hill, driven by Jupiter and FOUR, also proved beneficial, as the bookmaker had the largest monthly gain since October 2009 in April after first-quarter operating profits rose 21%, led by online sports betting. In contrast, an underweight to the outperforming utilities sector (electricity) and negative stock picking among technology stocks (technology hardware & equipment) proved the main detractors from performance during the quarter.
- During the second quarter, Portfolio Manager Ashley Reid was replaced with Ronnie Sabel



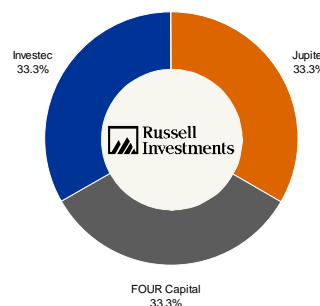
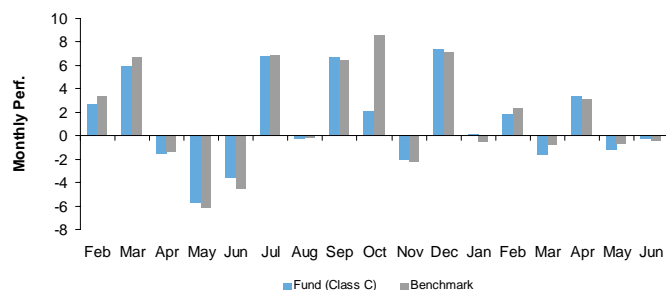
Portfolio Manager:

Ronnie Sabel

| | |
|----------------------------|----------------------|
| Benchmark | FTSE All-Share Index |
| Fees: Class A, B, C | 1.65%, 1.15%, 0.90% |
| No. of Stocks | 105 |
| AUM | £33.3m |
| Launch Date | 12th January 2010 |
| SEDOL: A Class acc. | B4KQX62 |

Performance Chart (%)

Fund Allocation



As at 30/06/2011

Emulation Strategy

Optimal stock views from advisers with complementary investment processes are aggregated into a single UK equity portfolio which is then implemented by Russell. This improves trading efficiency, better manages portfolio risk and reduces potential costs. One example benefit is that stocks traded by the advisers may offset against each other at the fund level, leaving inconsequential positions so trading becomes unnecessary.




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| Sector Exposure ¹ | Fund | Benchmark ² | Quarterly Sector Returns |
|------------------------------|------|------------------------|--------------------------|
| Basic Materials | 9.9 | 13.2 | -1.6 |
| Consumer Goods | 7.0 | 11.8 | 7.2 |
| Consumer Services | 11.0 | 9.6 | 4.2 |
| Financials | 15.8 | 22.2 | -1.4 |
| Health Care | 11.2 | 7.3 | 9.5 |
| Industrials | 16.0 | 7.5 | 3.5 |
| Oil & Gas | 15.3 | 17.0 | -3.1 |
| Technology | 3.9 | 1.7 | 3.2 |
| Telecommunications | 7.8 | 5.9 | -4.3 |
| Utilities | 2.0 | 3.8 | 4.6 |

¹ Sector weights may not sum to 100% due to rounding.

² FTSE All-Share Index

Adviser Description

| Adviser | Mandate Inception | Process |
|--|-------------------|--|
|  | Q1 2010 | Investec uses an intuitive quantitative screening methodology to identify potential investment opportunities, seeking to identify stocks attractive on growth, valuation and technical criteria. Deep fundamental research is not a key driver of this proposition, but the level of due diligence undertaken on stocks after screening is sufficient to support the process. The process does not have a persistent style bias. |
|  | Q1 2010 | FOUR's investment process is driven by bottom-up stock-picking based on the belief that there is a direct link between a company's profitability and its true value. FOUR focuses its attention on identifying and evaluating those companies where it believes current profitability is not fully reflected in its share price and those which it believes may have the potential to increase returns and therefore its value. |
|  | Q1 2011 | Jupiter's fundamental contrarian approach aims to hold shares in companies that have fallen out of favour with investors and are lowly valued, but have sound balance sheets, prominent franchises and strong management. Russell views bottom-up stock selection and the ability to identify pricing anomalies as the primary sources of outperformance. We believe that the manager's experience, depth of knowledge and analytical rigour are well suited to this task. |

Top Ten Holdings as at 30/06/2011

| Company Name | Country | Sector | Fund % | Benchmark % |
|-----------------------------|----------------|--------------------|--------|-------------|
| Vodafone Group PLC | United Kingdom | Telecommunications | 6.2 | 4.6 |
| GlaxoSmithKline | United Kingdom | Health Care | 5.0 | 3.8 |
| BP PLC | United Kingdom | Oil & Gas | 4.1 | 4.7 |
| BG Group | United Kingdom | Oil & Gas | 3.9 | 2.6 |
| Rio Tinto | United Kingdom | Basic Materials | 3.8 | 3.7 |
| Royal Dutch Shell (Class B) | United Kingdom | Oil & Gas | 3.2 | 3.3 |
| AstraZeneca | United Kingdom | Health Care | 2.9 | 2.4 |
| British American Tobacco | United Kingdom | Consumer Goods | 2.3 | 3.0 |
| BHP Billiton PLC | United Kingdom | Basic Materials | 2.2 | 2.9 |
| SHIRE PLC | United Kingdom | Health Care | 2.2 | 0.6 |

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IM Russell ICVC International Growth Assets Fund

Performance Review¹

| | One Month % | Three Months % | Year to Date % | Since Inception % |
|--|-------------|----------------|----------------|-------------------|
| IM Russell ICVC International Growth Assets Fund (Class C Fees) ² | -2.2 | -0.5 | 1.1 | 10.6 |
| Benchmark (Russell Developed Large Cap ex-UK (GBP Hedged)) | -1.7 | -0.7 | 3.4 | 8.7 |

Source: Russell/Confluence, in UK sterling terms, net of fees, Data as at 30/06/2011

¹ These funds are priced at 7:00am each morning where as the benchmark is priced at close of business each day. For benchmark comparable analytical purposes therefore the NAV have been artificially moved to the previous working day.

² Our performance reviews are now based on class C fees (0.95%); prior to that (June 2010) they were based on class A fees (1.70%).

Quarterly Market Comment

Global equities finished a tumultuous second quarter in negative territory, with the Russell Global Developed Large Cap ex-UK Index down 1.7% in GBP hedged terms. The European debt crisis intensified during the period and coalesced around Greece which was anticipated to need an emergency bridge loan to avoid a credit default. However, the quarter ended on a positive note, with the debt-laden country finally passing the necessary austerity measures to secure international financial aid. Elsewhere, inflationary concerns persisted among emerging economies, resulting in central banks having to take further monetary tightening measures which dampened investors' optimism.

At the country level, Germany and France were strong performers despite Eurozone's crisis as investors showed confidence that the situation in Greece would resolve. Other benefactors of the potential avoidance of default by Greece were fellow nations Ireland and Spain. In contrast, Japan continued to retreat amid the lingering effects of the March earthquake.

From a sector perspective, health care stocks outperformed, mainly due to European pharmaceuticals. Consumer-related sectors also gained, led once again by European companies such as luxury goods makers which benefitted from the increase in disposable income in emerging nations' upper classes. In contrast, the energy sector was the main laggard as commodity oil prices fell from previous highs.

Quarterly Fund Comment

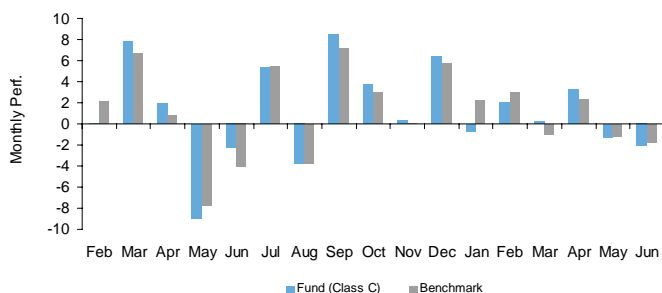
The Fund outperformed significantly over the quarter as both stock selection and country allocation proved successful. The former was most apparent in the strengthening European consumer discretionary sector which was lifted by a particularly positive corporate earnings season. Luxury goods retailers such as Compagnie Financiere Richemont (which owns Cartier and Montblanc), LVMH and clothes retailer giant Inditex (which owns Gap and Zara) were key contributors. Their exports have recently been supported by the increase in disposable income in emerging markets, notably in China. The consumer staples also contributed significantly to the Fund's returns as an increasingly risk-averse environment prompted investors to favour safer assets. Within this market, European food and beverages stocks led the gains (Nestle, Heineken).



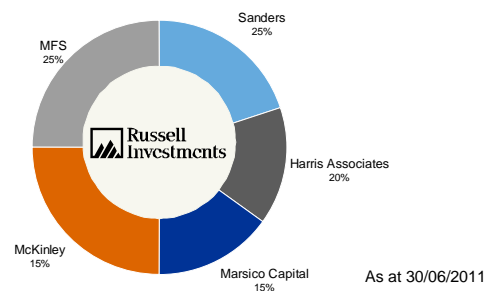
Portfolio Manager:
Phil Hoffman

| | |
|----------------------------|--|
| Benchmark | Russell Developed Large Cap ex-UK (GBP Hedged) |
| Fees: Class A, B, C | 1.70%, 1.20%, 0.95% |
| No. of Stocks | 312 |
| AUM | £69.7m |
| Launch Date | 12th January 2010 |
| SEDOL: A Class acc. | B4JQN30 |

Performance Chart (%)



Fund Allocation



Latest Regional Analysis (30/06/2011)

| Region Exposure ¹ | Fund | Benchmark | Quarterly Region Returns |
|------------------------------|------|-----------|--------------------------|
| Asia Pacific ex-Japan | 2.9 | 6.3 | 0.04 |
| Europe ex United Kingdom | 29.3 | 23.0 | 2.85 |
| Japan | 5.1 | 8.8 | 0.03 |
| United Kingdom | 3.9 | 0.2 | -0.24 |
| US & Canada | 51.9 | 61.6 | -0.45 |
| Emerging Markets | 6.9 | 0.1 | -1.47 |


¹ Region weights may not sum to 100% due to rounding.

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Emulation Strategy

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Adviser Description

| Investment Manager | Mandate Inception | Process |
|---|-------------------|---|
|  | Q2 2011 | Sanders' investment philosophy rests on proven behavioural finance principles, the most important of which is the strong tendency of investors to overreact to adversity, depressing asset prices in relation to their past and potential future cash flows. Sanders are willing to invest in companies with sustainable earnings but which the market is undervaluing in the belief that the earnings are not sustainable. They will also invest in companies that are undervalued due to short-term distress but which they believe will recover to normalised levels of profitability. |
|  | Q1 2010 | Harris focuses on stocks selling at significant discounts to the underlying companies' intrinsic value. They invest in companies that are run by management teams that think and act as owners. Harris prefers management teams that focus on strong cash flow generation and efficient allocation of capital. Harris' deep understanding of the key business drivers of their holdings provides them with a competitive advantage. |
|  | Q1 2010 | Marsico seeks to identify macroeconomic themes, based on its economic, political and social analysis, which drive earnings growth and price appreciation. Fundamental research is performed to identify attractive stocks likely to benefit from exposure to such themes. A key strength of Marsico is their depth of knowledge of industries, companies and management teams which can be attributed to the quality and experience of its team of four portfolio managers and dedicated team of global industry analysts. |
|  | Q1 2010 | The portfolio is advised by a team of professionals led by Robert A. Gillam, Chief Investment Officer. Using both a quantitative screening process and qualitative overlay to construct and manage portfolios, McKinley has been adept at combining these approaches, successfully identifying future winners over time. This strategy has performed consistently well through both growth and value market environments. |
|  | Q1 2010 | MFS' approach is market-orientated, with a particular emphasis on high quality, cash generative companies where growth appears sustainable over the longer-term. Portfolios are managed by a small team of seasoned investors, each with over 10 years of experience. The team is supported by over 70 analysts based around the world, providing research across the broad universe of global companies. Portfolios tend to feature country and sector positions that diverge meaningfully from the index. |

Latest Top Ten Holdings (30/06/2011)

| Company Name | Country | Sector | Fund % | Benchmark % |
|-------------------------------|---------------|-------------------|--------|-------------|
| Nestle SA | Switzerland | Consumer Goods | 2.4 | 0.8 |
| Compagnie Financiere | Switzerland | Consumer Goods | 2.0 | 0.1 |
| Walt Disney Co. (The) | United States | Consumer Services | 1.8 | 0.3 |
| Intel Corp. | United States | Technology | 1.7 | 0.5 |
| Linde AG | Germany | Basic Materials | 1.5 | 0.1 |
| Oracle Corp. | United States | Technology | 1.5 | 0.5 |
| Heineken N.V. | Netherlands | Consumer Goods | 1.3 | 0.1 |
| Bank of New York Mellon Corp. | United States | Financials | 1.3 | 0.1 |
| ACCENTURE PLC | United States | Industrials | 1.3 | 0.2 |
| JPMorgan Chase & Co. | United States | Financials | 1.3 | 0.6 |

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IM Russell ICVC Defensive Assets Fund

Performance Review¹

| | One Month % | Three Months % | Year to Date % | Since Inception % |
|---|-------------|----------------|----------------|-------------------|
| IM Russell ICVC Defensive Assets Fund (Class C Fees) ² | -0.9 | 0.1 | 0.3 | 2.9 |
| Bank of England Base Rate | 0.0 | 0.1 | 0.1 | 0.5 |

Source: Russell/Confluence, in UK sterling terms, net of fees, Data as at 30/06/2011

¹ These funds are priced at 7:00am each morning where as the benchmark is priced at close of business each day. For benchmark comparable analytical purposes therefore the NAV have been artificially moved to the previous working day.

² This quarterly performance review is now based on class C fees (-1.6% for the fourth quarter of 2010). Prior to June 2010, the report was based on class A fees (1.4% for the previous quarter).

Quarterly Fund Comment

The Defensive Assets fund posted a small positive return on a gross of fees basis against its cash benchmark over the second quarter, driven primarily by returns from sterling and international bond markets. The second quarter was characterised by more turbulence in global asset markets, with investors still feeling the after effects of Middle East unrest and the Japanese Tsunami earlier in the year. In addition, further bad news emerged over the period, with deteriorating Eurozone sovereign debt markets as well as concerns over the level of growth in the United States. Against this backdrop, money flowed into what are traditionally considered safe haven assets, notably gold, high quality bonds and currencies such as the Swiss Franc. Higher quality fixed income markets benefited from this flight to safety. Over the period, most of our bond allocations rose in excess of 1% for the three months but the slight orientation towards credit meant that, in many cases, they under-performed their bond benchmarks.

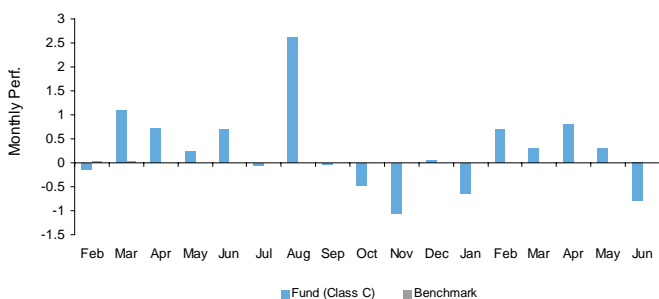
The cash plus strategies within the fund struggled over this quarter, with currency managers finding that what appeared to be the most over-valued currencies, and hence the currencies they are positioned against, continuing to rise over the three months. Looking forward, considerable risks still remain to the global economy, chief among them Southern European debt markets and the inability of the US to resolve its budget. We are not yet at the stage of substantially increasing our fixed income weightings while yields are at their current low levels. But we would expect fixed income markets to continue to perform well if current uncertainties persist, reinforcing the importance of the Defensive Assets fund in diversifying other risk exposures.



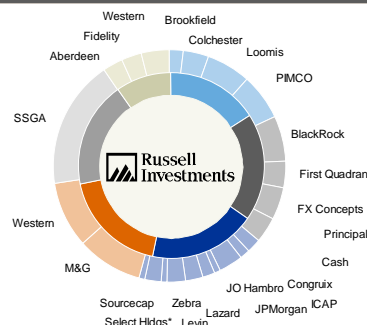
Portfolio Manager:
James Ind

| | |
|----------------------------|---------------------------|
| Benchmark | Bank of England Base Rate |
| Fees: Class A, B, C | 1.35%, 0.85%, 0.60% |
| AUM | £57.6m |
| Launch Date | 12th January 2010 |
| SEDOL: A Class acc. | B4L3HZ9 |

Performance Chart (%)



Fund Allocation



As at 30/06/2011

Strategy Allocation

| Asset Class ¹ | Weight | Fund |
|--------------------------|--------|---|
| Global Bonds | 16.5% | Russell Investment Co. PLC The Global Bond Fund (£hedged) |
| Absolute Return | 19.0% | Russell Investment Co. PLC IV Absolute Return Equity Fund |
| Cash Plus | 19.0% | Russell Investment Co. PLC III Active Currency Fund (£hedged) |
| Corporate Bonds | 16.5% | Russell Investment Co. PLC Sterling Corporate Bond Fund |
| Cash | 19.0% | Russell Investment Co. PLC Sterling Liquidity Fund |
| Sterling Bonds | 10.0% | Russell Investment Co. PLC III Sterling Bond Fund |

¹ Currency Forwards £/\$ and £/EUR will also be used as appropriate and implemented by Russell Investments.

Quarterly Investment Performance as at 30/06/2011

| Fund | Fund Benchmark | Mandate Inception | Russell Analysis |
|---------------------------------------|---|-------------------|--|
| RIC IV Absolute Return Equity Fund | London Clearing Bank Base Rate ¹ | Q1 2010 | AREF underperformed over the second quarter, largely driven by the US segment. Select holdings lagged both its peers and benchmark as its more cyclical positioning (underweight utilities and consumer staples) ran counter to the market's preference for safer assets. Levin's stock selection, and ICAP's underweight to stocks with high betas also hindered returns. The Japanese portfolio also struggled to add value, predominantly JP Morgan as its stock picks within the materials sector proved inefficient. |
| RICIII Active Currency Fund (£hedged) | 3 Month LIBOR (USD) | Q1 2010 | The Fund underperformed during a volatile second quarter as all underlying managers struggled to generate alpha. Key detractors from performance included the under exposure to perceived 'safe haven' currencies such as the Swiss franc and the Japanese yen which gained in an increasingly risk-averse environment. A short position to the Australian dollar proved detrimental after the currency reached its highest level in three decades in April as high interest rate and its role as a supplier of raw materials to booming Asian markets attracted investors. |
| RIC Global Bond Fund (£hedged) | Barclays Capital Global Aggregate | Q1 2010 | The Fund finished behind the benchmark during the quarter, as negative currency positioning proved a hindrance on performance. Key detractors included a short to the euro as the single currency strengthened on the eurozone's interest rate outlook. Being short commodity-linked currencies also detracted. Ineffective sector positioning also weighed on performance; exposure to credit proved the most detrimental as risk appetite waned. Loomis was the best-performing manager over the period, driven by its over active position to the outperforming high yield sector. Brookfield was the worst-performing manager, as its ineffective security selection proved a major hindrance. |
| RIC Sterling Bond Fund | Merrill Lynch Sterling Broad Market | Q1 2010 | The Fund lagged behind the benchmark over the period, as its duration, country and sector positioning all served to offset the benefits of its security selection. Key detractors included the short duration position as yields declined. At the sector level, the overweight to high yield debt weighed on returns. Fidelity was the best-performing manager over the quarter, as its position within interest rate management proved favourable. In contrast, Western lagged its peers, as its exposure to debt detracted. |
| RIC Sterling Corporate Bond Fund | Merrill Lynch All Stocks Non-Gilts 10+ | Q1 2010 | The Fund underperformed during the quarter, but remains ahead of the benchmark in year-to-date terms. Western was the weakest of the two underlying managers as its duration and sector positioning weighed on returns. M&G finished broadly in line with the benchmark, as its more defensive positioning proved favourable during the period. |
| RIC III Sterling Liquidity Fund | UK 1 month T Bill ² | Q1 2010 | Interest rate expectations fell in the second quarter while economic news from the UK was weak. Investors focused on the Bank of England's consideration of further quantitative easing rather than thoughts of raising interest rates. As a result, investors pushed out their expectations for UK base rate rises, and sterling was weak against a basket of other major world currencies. |

¹ Prior to July 2011 the published benchmark was 1 month LIBOR (GBP)

² Prior to December 2008, the benchmark was the CG UK 1 Month T Bill Average Yield Index. On 1st January 2009, the benchmark changed to the GBP Libid 1 Week index. On 15th April 2010, the benchmark changed to the UK 1 Month T Bill.

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IM Russell ICVC Real Assets Fund

Performance Review¹

| | One Month % | Three Months % | Year to Date % | Since Inception % |
|--|-------------|----------------|----------------|-------------------|
| IM Russell ICVC Real Assets Fund (Class C Fees) ² | 0.2 | 1.2 | 1.6 | 11.1 |
| UK Retail Price Index (RPI) | 0.8 | 2.4 | 3.8 | 0.5 |

Source: Russell/Confluence, in UK sterling terms, net of fees, data as at 30/06/2011.

¹ These funds are priced at 7:00am each morning where as the benchmark is priced at close of business each day. For benchmark comparable analytical purposes therefore the NAV have been artificially moved to the previous working day.

² Our performance reviews are now based on class C fees (-2.1% for January). Prior to June 2010, they were based on class A fees (1.5% for the second quarter).

Quarterly Fund Comment

The second quarter of 2011 was characterised by another period of skittishness in global markets as initial optimism over a recovering global economy was supplanted by fears that certain European governments might find themselves insolvent. Additional concerns over the level of economic growth in China and the United States saw equity markets produce a string of negative return weeks, while commodity markets gave back their gains of earlier in the year.

Despite these headwinds, the Real Asset Fund's strategy, its tactical positioning, and the generally good performance of the portfolio's managers, together meant the fund produced positive returns comfortably in excess of its composite benchmark, made up of its underlying markets indices.

Among the different asset classes, Commodities (excluding gold) suffered most heavily over the three months, with Chinese demand waning and the US releasing its oil reserves onto the market. Whilst commodities are well represented in the fund, the weighting has been scaled back in recent months, and both our commodity funds outperformed the market.

Other real asset exposures, including listed property, infrastructure (where we have increased weightings) plus index linked bonds, all performed well in both absolute and relative terms. Within infrastructure, returns were further enhanced by continuing strong performance through stock selection, resulting in relative out-performance since the start of the year of some 4 percent.

We see current valuations and growth as supportive for markets in the long-term. In the near-term, economic uncertainties will likely leave global interest rates near their historic low levels, and this should lead many investors to favour physical and inflation linked assets.

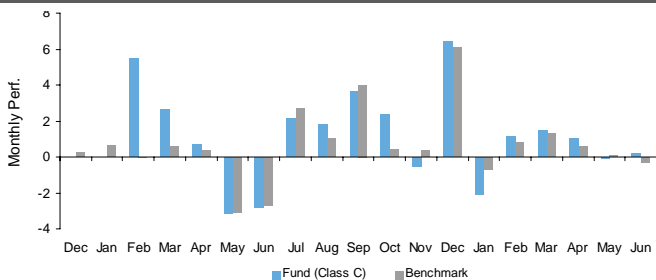


Portfolio Manager:

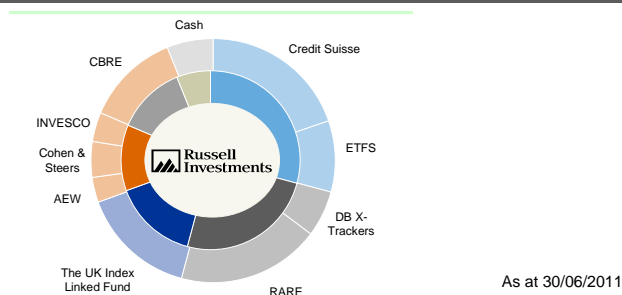
James Ind

| | |
|----------------------------------|-----------------------------|
| Benchmark | UK Retail Price Index (RPI) |
| Fees: Class A, B, C Class | 1.50%, 1.00%, 0.75% |
| AUM | £40.4m |
| Launch Date | 30/11/2009 |
| SEDOL: A Class acc. | B4KZFS5 |

Performance Chart (%)



Fund Allocation



Strategy Allocation

| Asset Class ¹ | Weight | Fund |
|--------------------------|--------|---|
| Listed Infrastructure | 26.5% | <ul style="list-style-type: none"> - 19.25% OpenWorld PLC - Global Listed Infrastructure - 7.25% DB X-Trackers S&P Global Infrastructure Equity ETF |
| Commodity | 28% | <ul style="list-style-type: none"> - 8.5% ETF Commodity Securities Limited - All Commodities DJUBS - 19.5% Credit Suisse Commodity Index Plus Fund |
| Inflation Linked Bonds | 15% | - RIC UK Index Linked Bonds |
| Commercial Property | 13.25% | - MSMM Global Real Estate Securities |
| Commercial Property | 13.25% | - OpenWorld PLC - Global Opportunistic Listed Property |
| Cash | 4% | - Russell Investment Company III PLC - The Sterling Liquidity Fund |

¹ Currency Forwards £/\$ and £/EUR will also be used as appropriate and implemented by Russell Investments.

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Quarterly Investment Performance as at 30/06/2011

| Segment | Segment Benchmark | Mandate Inception | Russell Analysis |
|--|--|-------------------|--|
| ETFS ALL Commodities DJUBS | DJ-UBSCI Commodities | Q3 2010 | The Dow Jones-UBS Commodity Index performance was negative this quarter, giving up 6.9% in GBP terms as 17 out of 19 Index commodities traded lower. Only Sugar and Gold were positive in absolute terms. Silver, a large driver for the sector's positive performance during the first quarter, lost momentum due to risk aversion. Investors continued to look to Gold as an alternative currency, and it finished the quarter up 4.73% in GBP terms. The energy sector was a key detractor from performance, notably crude oil as inventory levels increased in tandem with a slowdown in demand. |
| Credit Suisse Commodity Index Plus Fund | DJ-UBSCI Commodities | Q3 2010 | The Fund's outperformance was driven by favourable curve positioning in the energy and agriculture sectors. |
| MSMM Global Real Estate Securities Fund £ Hedged | FTSE EPRA/NAREIT Developed Real Estate Index Net ¹ | Q3 2010 | The Fund finished modestly ahead of its benchmark over the quarter, largely driven by insightful stock selection in the US residential, office and retail sectors. Despite increasing economic uncertainty in the US, this market proved a fertile ground to the Fund due to ongoing capital inflows, favourable operating results and broadly improving property fundamentals. Selection also proved efficient in continental Europe, notably in the strengthening French and German markets. Being underweight Hong Kong also added to gains as the market underperformed over the quarter. |
| Russell OpenWorld Global Opportunistic Listed Property Fund (CBRE) | FTSE EPRA/NAREIT Developed (Real Estate) Index Net | Q3 2010 | The Fund's outperformance was mainly driven by stock selection at the sector level over the quarter. Allgreen Properties (Singapore, diversified) was the biggest contributor to performance as the stock gained more than 50% due to surprisingly buoyant results. The manager is anticipating government measures to curb demand in the booming Singaporean real estate market as investments from speculators are driving up prices. The manager has now taken profits from this stock off the table. |
| Russell OpenWorld - Listed Infrastructure Fund (RARE) | S&P Global Infrastructure Index | Q3 2010 | In what was clearly a volatile period for the markets, the Fund continued on its strong run and outperformed strongly. Although country allocation and currency effect had a positive impact on performance, it was stock selection across various sectors and countries that was the primary driver for performance. Airport Services company, MAp Group did particularly well at the back of their agreement to swap their stakes in Bruxelles and Copenhagen airports for Sydney airport plus cash with Ontario Teachers. |
| DB X-Trackers S&P Global Infrastructure Equity ETF | S&P Global Infrastructure Index | Q3 2010 | The DB X-Tracker rose 2.4% over the second quarter in sterling terms. |
| RIC UK Index Linked Bond Fund | FTSE Index Linked | Q3 2010 | Government bonds fared increasingly well in a quarter when risk appetite waned due to the worries about Greece. As investors fled debt issued by corporates and indebted European markets, they sought refuge in the haven of US Treasuries, German bunds, UK gilts and Japanese government bonds. |
| Russell Investment Company III PLC - The Sterling Liquidity Fund | UK 1 month T Bill ² | Q3 2010 | Interest rate expectations fell in the second quarter while economic news from the UK was weak. Investors focused on the Bank of England's consideration of further quantitative easing rather than thoughts of raising interest rates. As a result, investors pushed out their expectations for UK base rate rises, and sterling was weak against a basket of other major world currencies. |

¹ Benchmark prior to 10/2010 was FTSE EPRA/NAREIT Real Estate Index (Dublin Tax). Benchmark currently FTSE EPRA/NAREIT Developed Real Estate Index Net

² Prior to December 2008, the benchmark was the CG UK 1 Month T Bill Average Yield Index. On 1st January 2009, the benchmark changed to the GBP Libid 1 Week index. On 15th April 2010, the benchmark changed to the UK 1 Month T Bill.

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Appendix 5 – A guide for pension trustees

The following brochure is an overview of the specialist investment service for DB Pension Schemes from Russell Investments.

A specialist investment service for DB Pension Schemes

A guide for pension trustees





Meeting your goals together

At Russell, we understand the pressures affecting trustees in meeting the objectives of your pension fund.

We know that many of you will be concerned about the efficiency of your investments and their ability to fund pension liabilities now and in the future.

Russell Investments has a wealth of experience in this sector and we can help you develop a cost efficient investment solution with the help of your adviser.

Our aim is to help you improve performance and reduce risk through a sophisticated mix of investments and to help you meet the retirement needs of your members.

Recognition of our expertise in multi manager investment solutions



Manager of Managers of the Year 2010

Global Pensions magazine has named Russell the 2010 Manager of Managers of the Year. This is the fourth time in five years that Russell has won the award.



Multi Manager of the Year 2010

Professional Pensions magazine named Russell the winner of the "Multi Manager of the Year" in their 2010 UK Pensions Awards.

Russell Investments the inside story...

Russell Investments is one of the world's foremost investment companies specialising in the provision of multi manager investment funds.

Our purpose is to improve the financial security of our clients by providing sophisticated investment products supported by our commitment to detailed research and analysis of investment markets. As at September 2010 we managed approximately £95bn of investments on behalf of clients worldwide.

Founded in 1936 in Washington State, USA, Russell now services clients in more than 37 countries and has offices in most of the major financial centres of the world. We work with individuals, companies, charities and government organisations to help them grow their wealth for the future.

In the UK, we work closely with the adviser community to help them provide suitable investment solutions for their Pension Scheme clients.

Some of the world's most well-known organisations depend on our expertise to help them build long-term financial security for their businesses and their employees.

Our London office was opened in 1979 and we are recognised as a leader in multi manager investment solutions for institutional clients – helping company pension schemes implement sophisticated investment solutions to meet the retirement needs of their members.

Today, Russell is able to use this expertise, developed through working with some of the most demanding and sophisticated institutional investors both in the UK and globally, to provide a bespoke service to pension scheme trustees and their advisers.




Round the world expertise

When you invest in Russell, you're in good company. We direct the investments of some of the world's largest investors.

| | | | |
|-----------------------------------|---------------------------------------|---------------|---------------|
| Toyota | Bill & Melinda Gates Foundation | Caterpillar | Compass Group |
| NCR Pension Plan UK | Mitsui Chemical Co, Ltd | Alcoa | Toshiba |
| Mitsubishi Electric | Scottish Widows/Lloyds TSB | Fuji Electric | J Sainsbury |
| Tokyo Electric Power | Lombard International Insurance | AT&T, Inc. | Boeing |
| Civil Aviation Authority | Coca-Cola Bottling Co. | CHS Inc. | NEC |
| Federal Express Canada Limited | Barclays Bank (UK Retirement Fund) | | |

Representative client list as of 02/2010. Clients may use us for a variety of different services. The identification of these clients does not constitute an endorsement or recommendation of Russell's products or services. Performance-based data was not used in selecting listed clients.





A bespoke service for pension scheme trustees

For many years Russell Investments has provided a range of services to institutional pension schemes.

Today, we work with many large companies worldwide to help them achieve their funding objectives. The level of service we provide depends on the complexity of the scheme's liabilities and their funding levels in tandem with the overall size and scope of the scheme. We offer:

Investment Management – Providing a full investment management solution encompassing asset allocation strategies and money management services to meet liability driven solutions.

Our solutions offer well diversified portfolios that spread investment risk across multiple asset classes and aim to provide additional stability.

Implementation – Efficient implementation of investment strategies with the aim of reducing costs and aim to maximising returns.

Consultancy – For some of our larger institutional clients we provide dedicated advice regarding their investment strategy. For this service we will be working closely with your existing adviser.

We've combined the fundamentals of our knowledge and experience into a cost effective package that can still be tailored to meet the individual needs of different pension funds.

Working with you and your adviser, we can help you implement a pension solution that combines efficient, low cost administration with the latest industry knowledge and investment best practice.

We can take the recommendations from your actuarial report and create a sophisticated investment solution that aims to optimise portfolio construction taking into consideration your current and future liabilities. We'll present you and your adviser with a choice of portfolio recommendations that offer the potential for a reduction in investment risk or the potential for improved performance over the longer term compared to your current portfolio.

Your adviser will be able to talk you through the options and help you find the best solution for the needs of your pension scheme.

The service promoted within this brochure presents investment solutions based only on the IM Russell ICVC Fund range. More information about these funds can be found in the Principal Prospectus and Simplified Prospectus which are available from Russell Investments.



Russell's analytical approach to investment

At Russell we use our primary research skills to scour the global market with the aim of finding some of the very best investment opportunities for our clients.

We use the findings from this research to help us develop sophisticated investment products that combine the skills of several investment managers – all of them amongst what we believe are the very best in their field – in a range of multi manager investment funds.

For defined benefit pension schemes, we aim to provide a range of investment strategies with the potential to improve performance and reduce risk over the longer term - typically 10 years or more – based on our own analysis of global capital markets.

Of course, the IM Russell ICVC funds are still influenced by global events and financial trends both

positively and negatively. But, by blending different assets and different management styles that perform independently to each other, we are able to create portfolios that have the potential to reduce volatility and provide more predictable returns.

We believe that for pension scheme trustees, this approach to investment management is one of the most important factors to consider when attempting to manage future and current liabilities.

Working with your adviser, you remain in control of the decisions regarding your overall investment strategy and can tap into Russell's global expertise to suit your investment objectives.

The benefits to you:

Tailored investment solutions that consider the funding requirements of your scheme based on current and future liabilities.

Portfolio recommendations which aim to reduce risk and improve performance.

A truly independent investment process backed up by Russell's in depth research and analysis.

Access to what we believe are some of the best investment managers in the world as rated by Russell analysts – not just those available through mainstream investment funds.

The potential for a fully diversified portfolio – across different assets, regions and investment managers.

Continued support and maintenance of your investment portfolio – we constantly look at the performance of the fund managers we use in our funds and change them if we feel there is a better option.

Why multi manager?

Russell Investments is recognised as a specialist in sophisticated multi manager investing and we feel strongly that this strategy is suitable to meet the needs of a wide range of clients.

We apply a disciplined, research driven approach which, we believe, allows our clients to benefit from more consistent, long-term performance with lower levels of risk than a single manager alternative.

We can help explain the benefits of a multi manager approach to investment by comparing the difference in performance between the decathlon champion and the individual champions in each event.

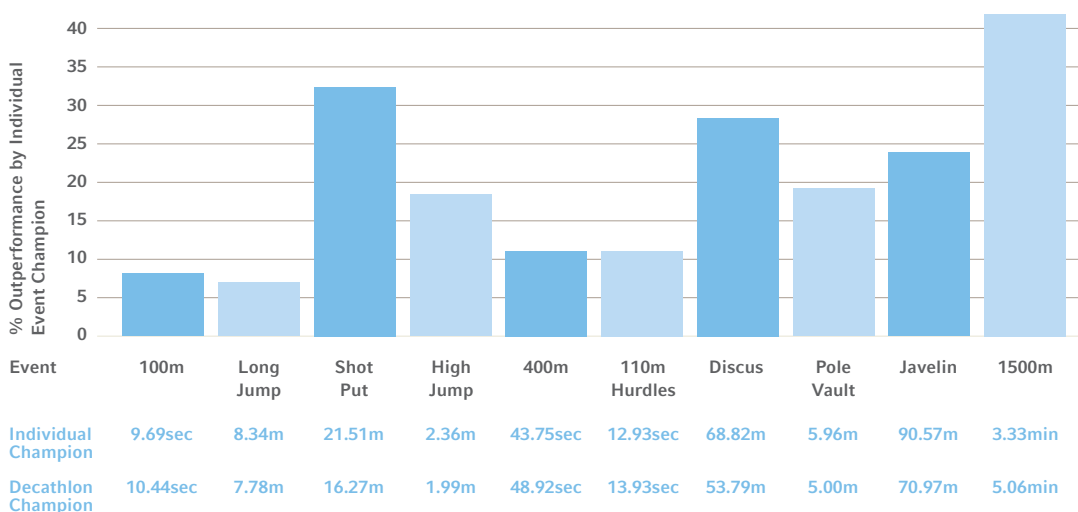
Whilst the decathlon champion is obviously an all round athlete performing at an extremely high standard across ten different disciplines, they are frequently beaten by specialists in each of the individual events. The table below compares the performance of Bryan Clay, Decathlon Gold Medallist at the 2008 Beijing Olympics against the individual gold medallists in each of the ten disciplines.

We think this sporting analogy helps explain Russell's aim to identify the best investment managers from around the world.

While investing with a generalist investment manager who can provide exposure to different markets may give you a good return, finding the best individual performer in each of those markets may provide a much better return with lower risk.

And, just like the world of athletics, those individual champions can easily change from year to year. Russell attempts to find the next champions through carefully monitoring a large number of investment managers from around the world.

Specialists outperform generalists



The more you know, the better your investment process

At Russell, we like to think that we look further and deeper than most other investment companies in order to help us make wise investment decisions. In fact, according to a 2010 FundFire survey, Russell has the most thorough due diligence process in the investment consulting industry.

There are two separate elements to our research:

Capital Markets Research – this is our term for looking at what’s going on generally around the world to help us discover more favourable investment opportunities.

Our global team of economists monitor investment markets around the world. They focus on macro-research, looking at economies, markets and industries and selecting those where we see the greatest opportunities for repeatable growth.

Manager Research – looking at the performance, process and techniques used by different investment managers to help us discover some of the very best investment potential from around the world.

We employ more than 200 investment analysts dedicated to finding, assessing and monitoring investment management teams globally. Our analysts aim to select those with an exceptional ability, strong track record, robust processes and complementary skills.

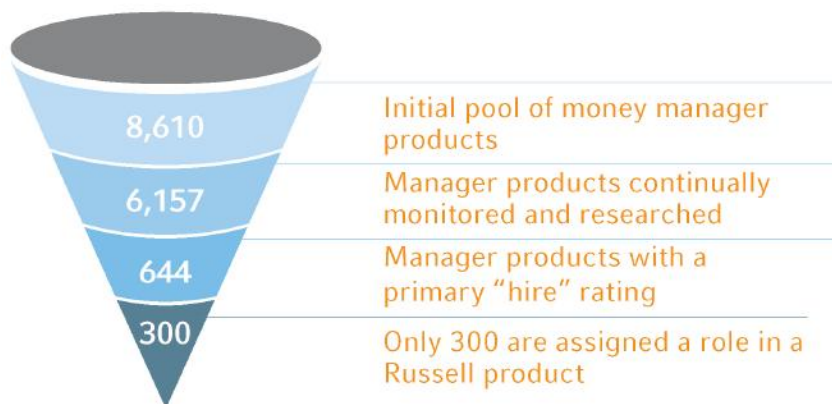
This double layer research provides us with invaluable insights and analysis which helps us build efficient portfolios based on a robust investment process.



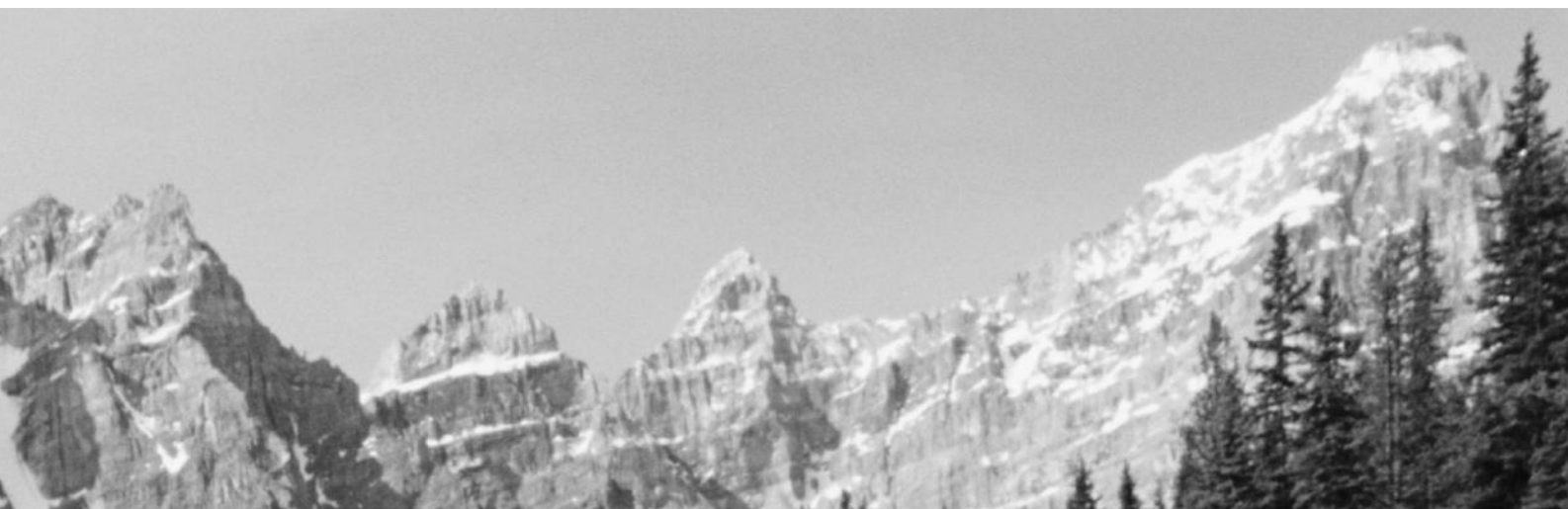
Access over 40 years of manager research

The Russell process uses both qualitative and quantitative methods to help us identify what we believe are some of the world's best investment managers. From a global pool of 8,610 investment manager products that we researched, only 300 were selected for specific assignments (during September 2009 to September 2010).

The Russell research funnel



For illustrative purpose only as at 31 December 2010. These figures may vary from year to year.





Helping you create the perfect partnership

We appreciate the relationship you have with your adviser.

They understand your needs and requirements and they are in the best position to provide you with ongoing advice about your investment solution.

Your adviser will be able to talk to you about any changes in legislation and policy, update you about market developments and help you monitor the performance of your investment portfolio.

We'll work closely with your adviser to make sure we understand your requirements and to help us implement the most appropriate investment solution for your pension scheme.

Using the scheme's actuarial report, we'll develop an investment proposal based on the unique circumstances of the scheme with a range of suggested investment solutions.

We'll aim to implement a strategy that meets your funding requirements whilst optimising for both risk and return. Based on the recommendations from your adviser we can implement the chosen strategy on your behalf.

We'll manage the portfolio to keep it on track and report to you annually on performance.

If you would like to find out more and arrange for a review of your investment needs, please speak with your adviser.





For more information about Russell Investments' approach to multi manager investing, please contact your financial adviser.

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- The portfolios recommended have no bank guarantee, and may lose value.
- For a full list of the investment risks, please refer to the Fund Prospectus. Full details of the IM Russell ICVC Funds are available within the Fund Prospectus and Simplified Fund Prospectus both of which are available from Russell Investments or from the Authorised Corporate Director, IFDS Managers Limited, IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS.

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