

# Small Cap Mix

## Money Manager Overview

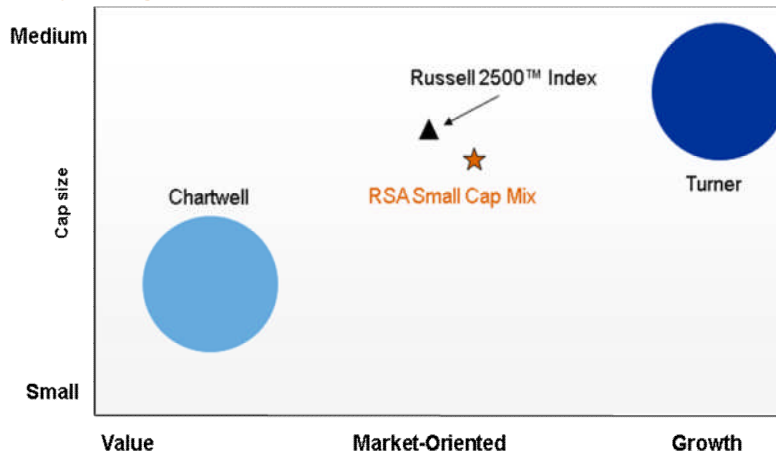
### Russell's investment approach

Russell uses a multi-asset, multi-style and multi-manager approach to construct and manage its investment portfolios. Assets are typically managed by multiple investment management firms that Russell researches and hires, monitors and terminates on an ongoing basis.

### The mix

The mix includes managers that use different investment styles based on Russell's confidence in their stock selection capabilities and the level of tax-efficiency of their approaches. For example, this mix has a growth manager that focuses on security selection with the belief that earnings expectations and momentum drive stock prices. The value manager is valuation and catalyst focused, selecting what it believes to be attractively valued companies that exhibit an explicit near-term catalyst that may drive fundamental improvement and a capital appreciation. An additional layer of account management is applied by a distinct overlay portfolio manager to provide coordination across multiple manager portfolios, seek to reduce trading costs and improve tax efficiency, and automatically rebalance the portfolios. The mix's benchmark is the Russell 2500™ Index.

### Money manager mosaic (as of July 2011)



This mosaic depicts, at a specific point in time, the approximate relative weighting of managers within the mix plotted on the basis of cap size and style against fund benchmark (▲). Manager positions on this mosaic change over time as their allocations and holdings change. The circle size represents the relative size of each manager's assignment in the mix.



### Russell portfolio manager

Robert Kuharic

### The Russell portfolio manager's role

The Russell portfolio manager is responsible for selecting the managers included in the mix and determining the appropriate weight for each manager's assignment. There may be a number of reasons why a manager is added to or removed from a mix, including a change in control at a money manager, the opportunity to select a manager Russell believes offers an investment proposition that would improve the excess return potential of the mix, or the departure of a key individual at a money manager.

While the portfolio manager makes the decision to change the manager line-up, that decision must be validated through an internal Russell governance process to ensure all key considerations are addressed by the portfolio manager.

### Target allocation of assets:

#### Growth

50% Turner Investment Partners, Inc.

#### Value

50% Chartwell Investment Partners

The above represents the breakout of the mix assets that are allocated to money managers.

# Turner Investment Partners, Inc.

July 2011

## Firm background:

Turner Investment Partners, Inc., based in Berwyn, Pennsylvania, acts as an underlying manager in many Russell products.

**Headquarters:** Berwyn, PA

**Founded:** 1990

**Lead manager:** Bill McVail

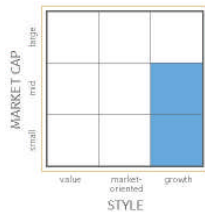
**Asset Class:** U.S. Equity

**Investment style:** Growth

**Manager's benchmark:** Russell 2500™ Index

**Number of holdings:** 50 - 60

**Capitalization level:** Small and mid cap



## Investment sub-style:

High earnings and price momentum

## Manager profile:

- Turner Investment Partners, Inc. (Turner) was added to the Small Cap Mix in 2006. Bill McVail leads this small to mid-cap growth manager assignment at Turner. Turner conducts an extensive bottom-up fundamental research process and thorough due diligence as part of its stock selection process.

Turner has customized this small to mid-cap portfolio for Russell by reducing the number of securities and extending the investment horizon beyond their typical timeframe. The additional tax-efficiency that can be expected to be achieved in this earnings momentum investment approach is highly regarded by Russell.

## Investment process:

Turner adds value primarily through stock selection and pursues a bottom-up strategy that blends quantitative, fundamental and technical analysis. The firm believes that earnings expectations drive stock prices, and that stock selection is the most predictable source of generating superior returns.

Turner applies a combination quantitative and qualitative approach in its investment process. First, the firm screens a universe of the names contained in the Russell 2500™ Index to seek companies that have strong earnings growth potential at modest valuations. Companies are then ranked based on a variety of factors. The second step of their process is to conduct fundamental analysis to confirm the preliminary output from the ranking system. The firm then reviews news and earnings estimate services. This step is designed to help Turner avoid companies that are highly ranked in the model but whose recent estimates have not been reflected in databases. Finally, the firm appraises the candidate's technical pattern. Inputs include an analysis of how the money flows, where the security is selling in its recent channel, and its relative strength versus its industry group.

## Russell's manager analysis:

Russell holds a high opinion of the portfolio management team at Turner. Turner's sector analyst teams are primarily responsible for the management of the product and Russell believes their fundamental research effort provides robust idea generation, adequate depth with appropriate emphasis on sentiment, and differentiated breadth.

Turner will likely perform better when growth and small cap stocks lead, as well as in periods favoring higher earnings variability such as the early stages of an economic recovery. It will likely struggle in markets favoring large and/or midcap stocks over small caps as well as in more defensive markets.

# Chartwell Investment Partners

July 2011

## Firm background:

Chartwell Investment Partners is an employee owned firm, founded in 1997, that is dedicated solely to the investment advisory business. The firm is a quality-based equity and fixed income manager with a disciplined, team-oriented investment process. Chartwell maintains a firm-wide commitment to fundamental research.

**Headquarters:** Berwyn, PA

**Founded:** 1997

**Lead manager:** Dave Dalrymple

**Asset Class:** U.S. Equity

**Investment style:** Value

**Manager's benchmark:** Russell 2000™ Value Index

**Number of holdings:** 60 - 90

**Capitalization level:** Small cap



## Investment sub-style:

Relative value.

## Manager profile:

Chartwell Investment Partners (Chartwell) was added to the Small Cap Mix in 2006. Russell has been following this manager since 2000 and has also used it in other assignments within Russell's fund complexes. Dave Dalrymple leads this value focused manager assignment at Chartwell. Chartwell conducts an extensive bottom-up fundamental research process and thorough due diligence as part of its stock selection process.

## Investment process:

Chartwell's investment team searches for a mixture of value stocks (deep value, contrarian, and relative value). The firm focuses their research process by identifying small capitalization U.S. equities that the firm believes exhibit explicit catalysts that will drive fundamental improvement and capital appreciation.

The firm performs fundamental analysis on what it identifies as the "High Potential" stocks. Chartwell first attempts to understand the reason for a stock's depressed valuation. If it cannot identify a valid cause, it typically will not consider a stock further. The firm evaluates the company's business model, competitive position and business prospects to determine value. Finally, the firm identifies an explicit fundamental catalyst before purchasing a stock. Examples of catalysts that Chartwell considers are management changes, margin improvement, new products, restructuring, and acquisitions/divestitures.

The portfolio is diversified by value sub-style. The portfolio manager seeks to have exposure to deep value, traditional value and relative value stocks. This approach lends towards a strategy that is less factor biased in its performance pattern.

## Russell's manager analysis:

Russell has high confidence in Chartwell. Dave Dalrymple is a knowledgeable money manager who displays a competitive drive and sensible investment insight.

Chartwell is generally expected to outperform when the market favors valuation and quality factors and will underperform when the market is favoring defensive areas, not rewarding fundamentals, and when lower quality companies are being favored.

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The separate account mix managers are current as of 7/1/11. Russell has the right to employ or terminate a manager at any time and without prior notification, as is consistent with its role as investment manager of the mixes. The managers shown may not be the current managers in the mix.

This document will be updated annually. If a manager change is made during a year, a manager specific page will be added or removed.

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