

MODEL IMPLEMENTATION

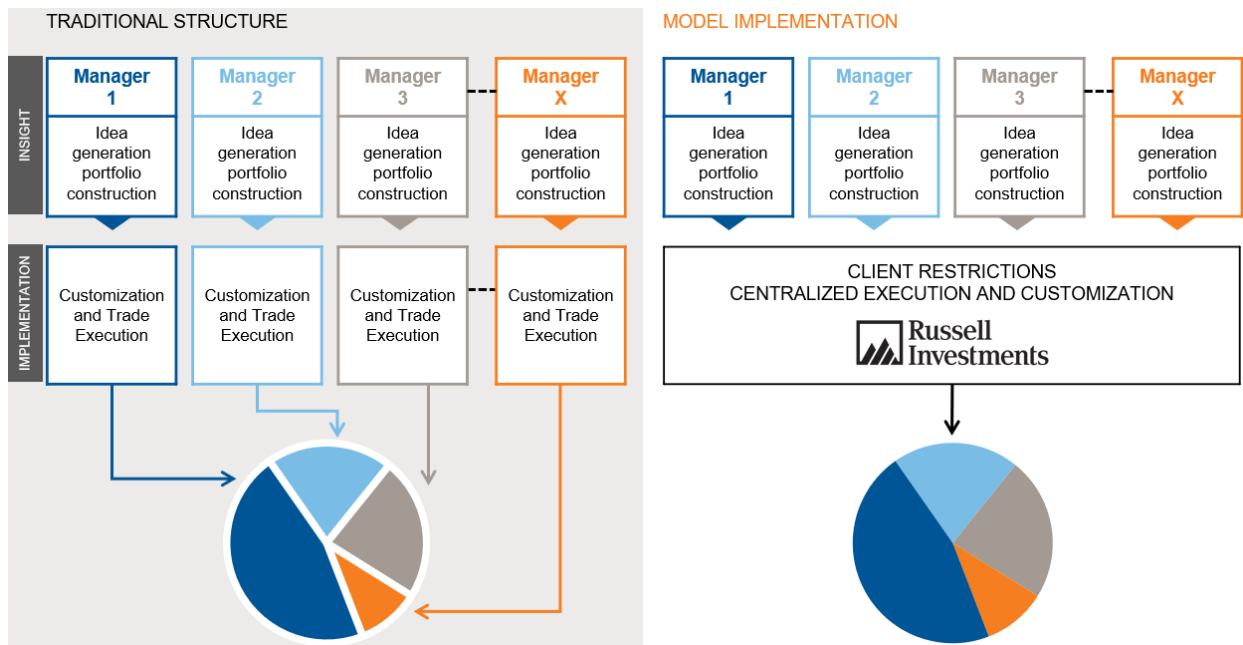


WHAT IS MODEL IMPLEMENTATION? AND HOW CAN IT HELP?

Model implementation, from Russell Investments, centralizes all the implementation of equity portfolios into a single platform—one that’s designed to bring operational and efficiency benefits. Multi-manager equity portfolios may deliver alpha and scale, but they also have inherent inefficiencies that may make them complex and expensive to invest in. With Russell Investments’ deep heritage of both multi-manager research and portfolio implementation, we’ve designed a model platform to eliminate these complexities and significantly reduce the costs involved.

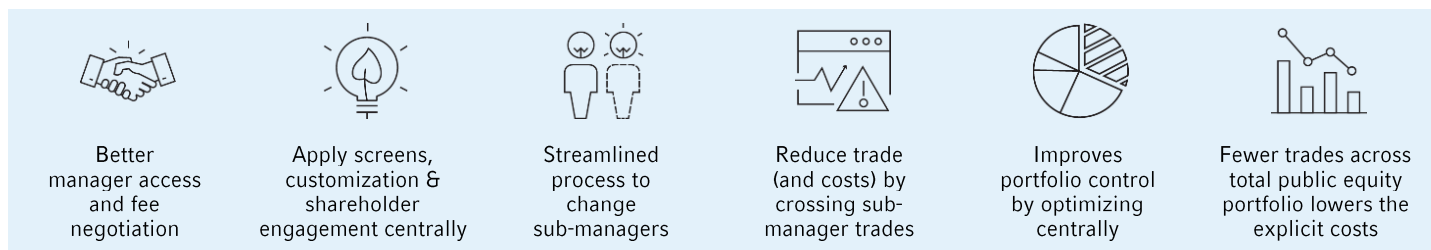
- Helps to **limit the transaction-cost-impact** to performance
- **Improves operational control** and visibility
- Provides the opportunity to meaningfully **reduce active management fees**.
- Enables investors to have **complete security-level screening control**, without sacrificing efficiency.

Invest with models – Separating implementation and insight



Source: Russell Investments. For illustrative purposes only.

Potential key benefits



Case study: Non-profit health system

The organization

A large healthcare system with multiple investment pools, including a pension plan and capital reserves to support long-term operations of the healthcare system. The system has an internal CIO and investment staff that oversees all assets, including making all manager hire/fire decisions.

The challenge

Like many healthcare systems, this client faced cost pressures caused by the COVID pandemic. Hospital revenues were down and expenses were up. Complicating matters further, they had increased their allocation to private markets, and the overall size of their public-equity allocation had shrunk. The *denominator effect* that many organizations experienced was faced by this client as well. And with pressing liquidity needs, they were forced to tap into the public assets within their long-term operating reserves.

While the client's three distinct investment pools each had their own portfolios and asset allocations, they strove to run similar strategies within each asset class across the three pools. They also had mission-aligned exclusions across their entire portfolio. However, because their allocations were built using a mix of separate accounts and commingled vehicles, they were challenged to fully implement these exclusions. The public equity portfolio still had 2.5% exposure to securities that were on their exclusion list. As a mission-driven organization, it was important to them to be able to fully implement the desired security screens. Furthermore, given the size of individual manager allocations along with customized screens required, the client experienced higher manager fees than desired.

The solution: A move to model implementation

The client chose to leverage Russell Investments' model-implementation platform. This approach was designed to provide open-architecture manager access, combined with competitive fee negotiations, and leverages the full purchasing power of the Russell Investment's asset base. Model implementation also allowed for custom screens, reduced trades, and improved portfolio control and analytics, with implementation occurring in a centralized portfolio. In this instance, the client was able to use Russell Investments' scale to achieve lower fees with active managers. We also onboarded several managers the healthcare system was already invested in—but not already on our platform—at better fees. By moving from individual manager separate accounts and commingled vehicles to a model implementation, ongoing management was also simplified for the client. The end state included the exact same manager line-up and weights and applied the exact same screen for each of their three portfolios. And Russell Investments now handles the implementation in a single portfolio per pool.

THE RESULT

- Over 40% net savings in manager fees.
- Exposure to excluded securities dropped from ~2.5% to zero.

The result

- More than 40% net savings in manager fees.
- Exposure to securities on their mission-based exclusion list dropped from 2.5% to zero.
- The client's investment team has full access and visibility to enhanced portfolio analytics through METRIQ™, Russell Investments' proprietary portfolio analytics technology.

The client still retained full discretion over manager selection. Their investment team had no less control than before, with better visibility, including security-level transparency. We also provided them with our manager research and rankings to help them make informed decisions about potential manager changes. The client still made the final manager decisions, but now did so with more quantitative and qualitative information.

QUESTIONS?

Call Russell Investments at **800-426-8506**
or visit russellinvestments.com/implementation

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