

Completion portfolios help a leading multi-manager platform navigate benchmark concentration risk



Organization

A leading U.S. financial services firm oversees a large multi-manager mutual fund platform spanning multiple equity strategies.

Having worked with Russell Investments for years through transition management services, the firm sought new ways to enhance portfolio implementation, manage benchmark risk, and improve operational efficiency across its fund lineup.

Challenge

As market leadership became increasingly concentrated, the client faced a growing challenge shared by many active equity investors.

A small number of stocks began accounting for an outsized share of benchmark performance, particularly within the Russell 1000 Growth Index. While these companies represented increasingly large benchmark weights, many underlying active managers maintained more diversified portfolios and intentionally underweighted certain names due to valuation concerns, risk controls, or portfolio construction disciplines.

The result was an unintended gap between portfolio exposures and benchmark composition.

Key Results

1. Reduced benchmark exposure gaps tied to Nvidia, Micron, and other rapidly appreciating benchmark constituents.
2. Improved implementation flexibility through dynamic completion management and daily holdings analysis.
3. Added approximately 450 basis points of excess return contribution in the large-cap growth strategy over a recent three-month period.¹

This created several challenges:



Elevated
tracking error



Structural
underweights to
key contributors



Performance
headwinds during
narrow leadership



Limited ability
to respond
quickly as
exposures shift

At the same time, the client was managing daily cash flows across multiple sub-advisors through a decentralized process, creating operational complexity and the performance drag from holding cash.

The client needed a more flexible framework that could:



Reduce
unintended
benchmark risk



Address
concentrated
stock
exposures
dynamically



Preserve
active manager
autonomy



Improve
implementation
efficiency



Adapt as
market
conditions
change

Solution

Using daily holdings analysis, portfolio optimization tools, and proprietary exposure analytics, Russell Investments designed an equity completion solution that complemented the client's active managers while helping align the overall portfolio exposures more closely with benchmark objectives.

After launching implementation for the initial suite of four funds, the completion portfolios hold \$6.6 billion in assets, while the cash equitization solution manages \$2.2 billion in equity derivatives notional.

Key elements included:

Managing benchmark concentration risk

Russell Investments continuously monitored sub-advisor holdings and benchmark exposures to identify exposure gaps that could become meaningful sources of active risk.

As individual stocks became meaningful contributors to active risk, the completion portfolios selectively added exposure where appropriate to help reduce structural underweights and improve overall portfolio alignment.

For example:

- The large cap growth completion portfolio helped offset benchmark underweights to Nvidia as the stock has become a dominant index constituent over the last several years.

- The large cap value completion portfolio dynamically added Micron exposure as the stock rallied sharply and became a larger contributor to benchmark performance.

Rather than relying on static passive allocations, exposures were adjusted dynamically using daily holdings data and portfolio analytics.

Risk-aware portfolio construction

The completion portfolios were designed allowing for custom ranges on portfolio-level risk controls across multiple dimensions, including:

- Sector exposures
- Industry exposures
- Style factors
- Individual security risk

This approach helped maintain the integrity of each active manager's investment process while supporting the client's broader portfolio objectives.

Cash equitization

Russell Investments implemented dedicated cash equitization sleeves designed to keep capital invested while simplifying cash management across the multi-manager structure.

Russell Investments used liquid market exposures to maintain market participation while accommodating subscriptions, redemptions, and other portfolio cash needs.

This approach helped:

- Reduce cash drag
- Improve overall market participation
- Allow portfolio managers to remain focused on security selection rather than cash management
- Centralize liquidity management across multiple sub-advisers

By centralizing liquidity management, the client gained a more efficient framework for maintaining target exposures across the platform.

Streamlined portfolio implementation

The framework helped to centralize exposure management, improving operational efficiency while minimizing the performance impact and tracking error associated with uninvested cash balances.

As market opportunities and risks evolved, the client gained a more flexible mechanism for adjusting exposures without disrupting manager relationships or implementing broader portfolio changes.

Result

Reduced unintended active risk - The completion portfolios helped mitigate structural benchmark underweights and reduce unintended sources of active risk while preserving the benefits of active management.

Strong early performance contribution - The large-cap growth completion portfolio has generated approximately 450 basis points of excess return since inception¹, with the cash equitization program contributing 21 basis points to the total fund. The large cap value completion portfolio launched a few months later and has generated over 400 basis points since inception, with the cash equitization program adding 12 basis points at the fund level.

More efficient capital deployment - Unlike traditional passive allocations that simply dilute active manager insights, the completion portfolios were designed to target specific portfolio gaps, allowing capital to be deployed more efficiently in support of benchmark and risk objectives.

Enhanced portfolio agility – The client gained additional flexibility to address benchmark concentration risks and evolving market dynamics without requiring changes to its underlying manager lineup.

Expanded strategic partnership - The relationship evolved beyond transition management into a broader portfolio construction and implementation partnership. Today, Russell Investments continues to support the client with ongoing exposure analysis, implementation expertise, and portfolio optimization capabilities across its equity platform.

By implementing a combined completion portfolio and cash equitization framework, Russell Investments helped the client reduce unintended benchmark risk, improve cash management efficiency, and streamline implementation. The result is a more adaptive portfolio construction framework that preserves active manager autonomy while helping the client navigate increasingly concentrated markets.

¹ Completion portfolio performance is cumulative (not annualized), gross of fees, for the period January 26, 2026 (inception) through May 29, 2026. The completion portfolio returned 13.53% versus 8.79% for the client's blended benchmark (67% Russell 1000 Growth / 33% Russell 1000), resulting in 4.74% (474 bps) excess return at the completion sleeve level. The completion portfolio represented approximately 10% of total fund AUM, contributing approximately 45–50 bps to total fund excess return. Cash equitization contribution is calculated as futures P&L, expressed as a percentage of total fund AUM, relative to the return drag from uninvested cash (assumed 0% return).

Where to next?



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

About Russell Investments

Russell Investments is a leading global investment solutions partner providing a wide range of investment capabilities to institutional investors, financial intermediaries, and individual investors around the world. Since 1936, Russell Investments has been building a legacy of continuous innovation to deliver exceptional value to clients, working every day to improve people's financial security. Headquartered in Seattle, Washington, Russell Investments has offices worldwide, including: Dubai, London, Mumbai, New York, Paris, Shanghai, Sydney, Tokyo, and Toronto.

Important Disclosures

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional. Case study provided for discussion purposes only. Individual client results will vary based on individual circumstances and market events. There is no guarantee that all clients will experience the same positive results.

This case study represents a unique situation faced by a multi-manager platform in navigating benchmark concentration risks. Case studies are problem-solving stories. We select a situation that is indicative of problems clients in this category are facing. The recommendations described do not represent a standard strategy or set of recommendations made for all advisory clients with similar issues. Each client has unique requirements, challenges, and constraints, and our advisory solutions are tailored to each client's specific needs. Every client's situation, experience and needs are different, and Russell Investments does not imply that the solution herein is appropriate for any other client.

The case study provided is for illustrative purposes only and is meant to provide an example of a type of financial issue a client may have and our process and a methodology to address it. Individual client results will vary based on individual circumstances and market conditions. The results presented were based on a period of fluctuating marketing conditions and the underlying asset allocation, market criteria and assumptions, or the investment advice/strategy followed may have changed materially. There is no guarantee that all clients will experience the same results.

The information expressed herein represents the current, good faith views of the author(s) at the time of original publication and has not been updated. Any predictions, opinions, and other information contained in this material are subject to change continually, without notice.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

Securities products and services offered through Russell Investments Implementation Services, LLC, part of Russell Investments, a SEC Registered investment adviser and broker-dealer, member FINRA, SIPC.

Russell Investments Implementation Services, LLC is a wholly owned subsidiary of Russell Investments US Institutional HoldCo.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates Management, L.P., with a significant minority stake held by funds managed by Reverence Capital Partners, L.P. Certain of Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, non-controlling, ownership stakes. On July 2, 2026, Russell Investments Group, Ltd. ("Russell Investments") entered into a definitive agreement and plan of merger (the "Transaction") pursuant to which Russell Investments will be acquired by a consortium led by B Capital Group Management, L.P. that includes California Public Employees Retirement System. The Transaction is expected to close by the end of Q1 2027, subject to the receipt of regulatory approvals and other customary closing conditions.

Frank Russell Company is the owner of the Russell trademarks contained in this material and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under license from Frank Russell Company. The members of the Russell Investments group of companies are not affiliated in any manner with Frank Russell Company or any entity operating under the "FTSE RUSSELL" brand.

Copyright © 2026. Russell Investments Group, LLC. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments. It is delivered on an "as is" basis without warranty.

First used: September 2026

INST-01842-09-27

Invest without boundaries®