

Internal resource constraints when client merges funds



Background

The client is a leading institutional asset manager overseeing more than \$50 billion in assets for a Canadian province's broader public sector. The client's investment program was established through the merger of two separate public-sector funds, creating a unified entity with a mandate to deliver long-term value through diversified investment strategies across public and private markets. With a focus on infrastructure, public equities, and innovative portfolio construction, the client has become a sophisticated and forward-looking investor.

Russell Investments began its partnership with the client in 2014, when we managed a global equity mandate for one of the founding entities. In 2021, we helped the client transition assets, after which, the relationship developed into an implementation mandate, including a factor-based equity strategy. Over time, the relationship has deepened and expanded, and we now manage a significantly larger portion of their portfolio and serve as a strategic partner across multiple investment domains.

Challenge

The client's formation presented a complex set of challenges. The merger of two legacy funds required the integration of disparate investment platforms, operational systems, and governance structures. The client needed to harmonize its investment approach while maintaining performance and managing risks across a growing and increasingly complex portfolio.

Additionally, the client faced internal resource constraints. The organization had ambitious goals for portfolio optimization and strategic expansion but lacked the bandwidth to execute transitions, implement new strategies, and manage operational details at scale. They required a partner that could not only execute with precision but also provide strategic insight and act as an extension of its talented internal team.

Harmonizing Performance and Control

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Solution

Russell Investments delivered a multi-dimensional solution tailored to the client's evolving needs and strategic priorities:

- **Transition management excellence**
We managed several high-stakes portfolio transitions, delivering over \$22 million in cost savings within the first 18 months.¹ These transitions were executed with minimal disruption, allowing the client to reallocate capital efficiently and align its portfolio with long-term objectives.
- **Quantitative strategy implementation**
We supported the client's quantitative equity strategy, helping the organization achieve over 100 basis points of annualized excess return.² This was accomplished through efficient market access, disciplined implementation, and ongoing performance monitoring. It's important to note that the in-house factor team created the model and we served as their implementation partner.
- **Infrastructure Portfolio Support**
The client's infrastructure team, which manages an \$11 billion portfolio, partnered with Russell Investments to build and manage a liquid U.S. utilities portfolio. Russell Investments provided both strategic guidance and operational execution, helping the client expand its infrastructure footprint in a scalable and cost-effective manner.
- **Strategic Partnership and Global Advocacy**
Beyond execution, we became a trusted advisor to this skilled investment team, helping the organization navigate post-merger integration and position itself for future growth. The client's endorsement of Russell Investments has been used in global marketing efforts, including pitches to local authority plans in the UK and other institutional opportunities worldwide.
- **Further potential work: Custom Portfolio Engineering**
We are also in conversations with the client to design and implement a total return swap strategy that would involve shorting mid-cap equities while going long on world equities excluding Canada. We believe this approach could allow the client to fine-tune its exposure and enhance portfolio efficiency.

“The Russell Investments implementation team has been a fantastic resource and extension of our inhouse team. They’ve been a true partner who not only understands what we’re trying to achieve from an investment standpoint but are always willing to share insights and best practices which have been incredibly helpful in helping us expand our own internal capabilities. Their deep experience as an OCIO means they really understand the implementation challenges we face”
– Client (used with permission)³

Results

The partnership between this organization and Russell Investments has flourished. What began as an \$800 million mandate has grown to over \$2 billion in assets under management. The team has described the relationship as “seamless,” and their experience has become a powerful reference point for Russell Investments’ global business development efforts.

Where to next?



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

About Russell Investments

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Important Disclosures

¹ The calculation is based on the aggregate gain/loss of all events between Jan 1, 2019 and Dec 31, 2023. This was measured by the difference between actual and estimated cost outcomes using implementation shortfall methodology. The savings were net of fees and operating expenses. Individual results will vary.

² Measured from August 31, 2021 to August 31, 2025. Returns are for illustration only and are not indicative of future performance. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns are calculated net of fees and operating expenses.

³ This testimonial may not be representative of the experience of other clients and is not a guarantee of future performance or success. The quoted individual is a current client. No cash or non-cash compensation was provided for this testimonial.

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This case study represents a unique situation faced by an asset management firm merging funds with constrained resources. 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.

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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.

Total return swap strategies involve the use of derivatives, which may include options, and are subject to risks such as leverage, counterparty default, market volatility, and liquidity risk. There is no guarantee that these strategies will achieve their intended result.

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