

# TAKE FIVE



5 REASONS TO CONSIDER  
RUSSELL INVESTMENTS FOR  
YOUR TRADING NEEDS



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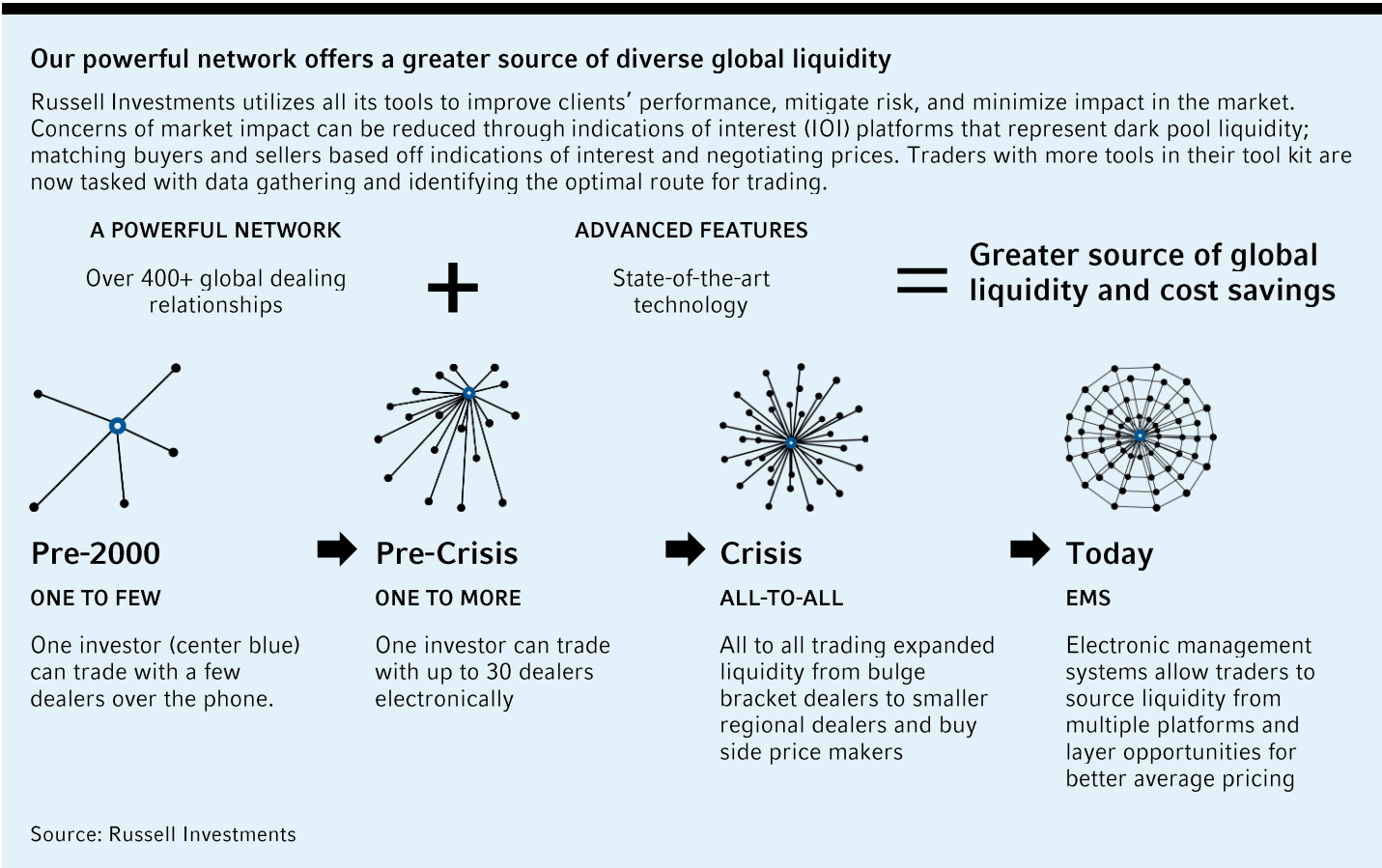
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# Take Five: 5 reasons to consider Russell Investments for your trading needs

As one of the largest global asset managers, Russell Investments’ size and commitment to continual execution improvement has enabled us to access unique liquidity and develop a fixed income trading platform that is highly differentiated in the marketplace. Our unique structure of being dually registered as both an asset manager and broker-dealer enables clients to leverage the extensive trading relationships we’ve developed with the sell-side markets and buy-side community. This extensive access, combined with our cutting-edge technology platform, enables efficient execution while minimizing costs and limiting market impact—passing these savings directly along to our clients.

Exhibit 1: Evolution of Fixed Income Trading



Russell Investments consistently outperforms the market and peers by utilizing advanced tools to execute at extremely low costs, resulting in improved execution with minimal market impact.

We developed specific trading solutions which directly lead to lower cost of execution and better client performance.

## 1. Unique electronic capabilities

### Interdealer platform

Although U.S. Treasuries are the most liquid market globally, liquidity still comes with electronic order size limitations. Because of this, large orders are often broken down into smaller ones to satisfy immediate liquidity needs and mitigate the risk of market impact.

In addition to the traditional request for quote process, Russell Investments has access to the interdealer market for Treasuries, which is a dealer-only access market that allows us to execute orders less expensively for clients.

The distinct advantages of the interdealer market are two-fold:

1. Tighter bid/ask spreads provide improved pricing
2. Sitting on top of the interdealer access, we have built out the flexibility to work orders through algorithms, which allows for the size of the orders to be disguised and leads to a lower cost of overall execution.

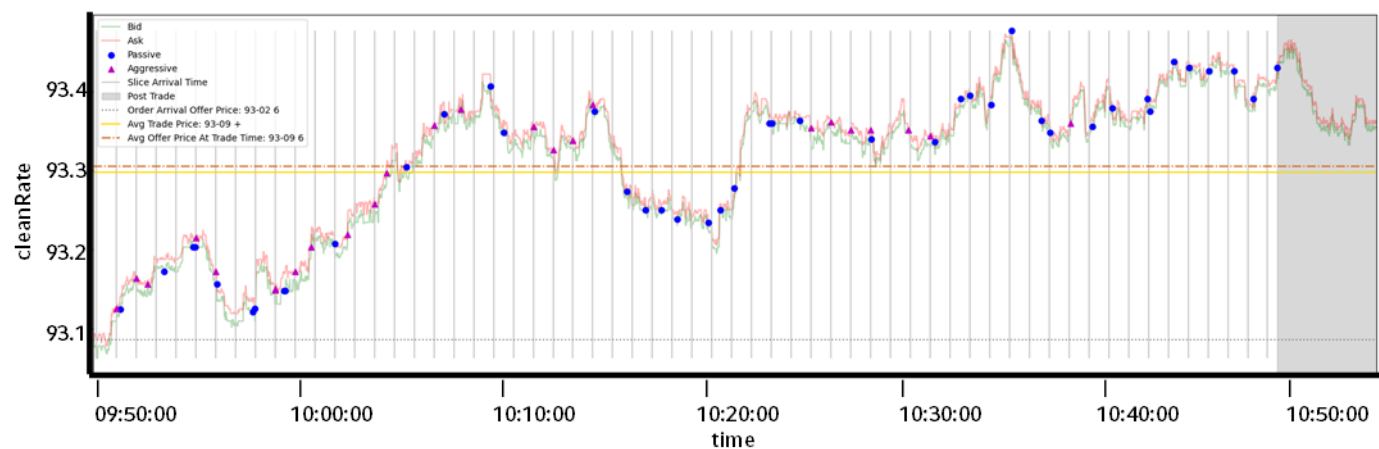
The interdealer market acts as a central market center that allows traders to disguise large-sized orders by displaying small quantities at any one time. In addition, algorithms can be utilized to execute a variety of strategies, including time-weighted average price (TWAP) – shown in [Exhibit 2](#), passive, or aggressive strategies over the day, ensuring active participation as well as the elimination of much of the bid offer spread.

**Savings achieved on Treasury orders when utilizing [these] trading techniques can range from half a tick (1.5 bps) to a full tick (3 bps), depending on which part of the Treasury curve the order represents.**

### Exhibit 2: Algorithmic Execution (TWAP)

LQEMA583B BUY Order [107510474469] in OTR-30Y for 37.0MM

Between 2025-01-08 09:49:36:36.907000-05:00 and 2025-01-08 10:49:05.740000-05:00 ET, with worst rate 93-30 2 37.0MM filled, 64.86% passively filled, 5/16 avg. Bid-Ask spread (or 1.05bps)



Source: Russell Investment performance vs TWAP. Source: Trade data January 2025

### Key client benefit

Savings achieved on Treasury orders when utilizing the above trading techniques can range from half a tick (1.5 bps) to a full tick (3 bps), depending on which part of the Treasury curve the order represents.

## Proprietary algorithms

Russell Investments has created proprietary trading algorithms for executing credit instruments that provide better trading outcomes for our clients through more spread capture while minimizing impact. Our algorithms accomplish this by:

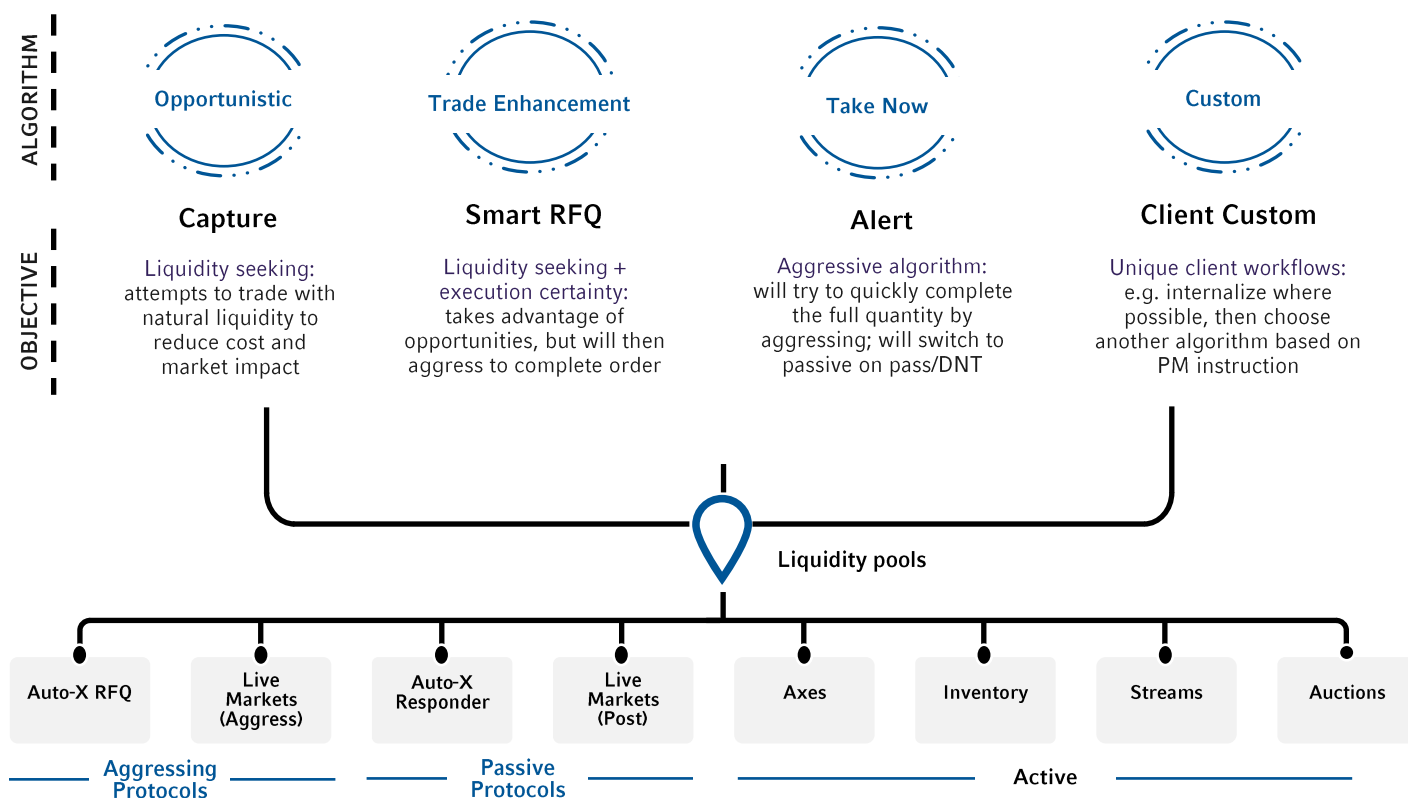
- Allowing orders to float in the market in a passive, mid, or aggressive target (depending on the strategy), which allows for significant spread capture and trading outperformance.
- Broadening trading venues to include end-holders by including not just dealers and banks, but also asset managers and funds. This type of trading changes the market ecosystem by including a broader archetype of liquidity than just banks and brokers. The results are tightened bid/ask spreads, which lead to lower costs of execution for clients. This technology, which allows for active price making, takes advantage of natural offsetting liquidity, resulting in an improved execution performance for clients.

**“** This technology, which allows for active price making, takes advantage of natural offsetting liquidity, resulting in an improved execution performance for clients. **”**

### Key client benefit

On average, utilization of our trading algorithms and the broadened including of different client archetypes provides 9.38 bps of improved execution for investment grade credit and 23 bps of improvement for high yield credit, versus the traditional direct dealer route.

### Exhibit 3: Flexible options





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## 2. Emerging trading methodologies

### RFM (Request-for-Market) protocol

Emerging-market debt can be a complicated asset class with many nuances and variables, depending on the country, risk currency, and issue denomination. Historically, this was traded by interacting with banks and dealers that might traffic in these instruments. As a result, spreads were wide, markets were thin, and price discovery was difficult. As the market has become more digitized, sourcing liquidity has become streamlined, increasing electronic-trading market share and trading capacity.

#### Advantages of the RFM protocol

- The new electronic trading infrastructure allows for a two-way quote from dealers in local emerging markets, which reduces information leakage for large-size trades. This allows traders to disguise trading direction, while still receiving competitive bids and offers. Only the winning liquidity provider will know the side of the order.
- A trader can now request an upsize to the execution and ask for a larger quantity. Traders with the tools to competitively *quote-out* orders while also disguising size and direction can drastically improve execution costs. Ultimately, this results in improvements to a fund's performance.

However, while strides are being made in emerging-market debt trading, there is still room for further progress. Automation and rising participant adoption of the asset class are leading to constant changes in the market ecosystem as well as the instruments available. Electronic markets are only as good as the breadth of dealers quoting on them. As more dealers are actively quoting, the market becomes more efficient, increasing the likelihood of improved trading outcomes.


### Net spotting protocol

Net spotting is an important investment grade credit tool for trading two-sided baskets or portfolios. As many clients are rebalancing their portfolios, utilizing the net spotting protocol can save clients half of the spread of the underlying benchmark.

For instance, consider the example of a trader buying 10-year Fords and selling 10-year GMs. The trader that is net spotting the 10-year will be at the mid-point of the benchmark for both trades, rather than the far side (as seen in traditional formats). While the individual savings may appear small (1-3 bps) due to the thin bid/ask of the on-the-run Treasury, the savings to the larger portfolio rebalance can be significant.

#### Key client benefits

Robust cost savings. Russell Investments has the requisite blend of expertise and knowledge to minimize unintended exposures while trading, which reduces investor risk and results in an overall lower cost.



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### 3. Robust execution management system (EMS)

This article has covered a lot of new tools and protocols for sourcing liquidity, disguising order flow, and improving execution in fixed income. That's plenty to keep track of. So how does a trader manage all this information at once?

Enter an execution management system (EMS). These systems have been around for decades in the equity space and are finally making their way into the fixed income universe. EMS platforms allow traders to centralize data (such as liquidity scores), consolidate live or indicative pricing, and direct connections to dealers and platforms, proprietary algorithms, and inventories.

Our custom EMS utilizes algorithms to identify auction opportunities without sending data to multiple locations, opting into IOIs for dark pools, or providing real-time transaction cost analysis for pre- and post-trading.

#### Key client benefit

Upside in execution efficiency and execution performance—as well as the ability to manage top-down portfolio level risk simultaneously.

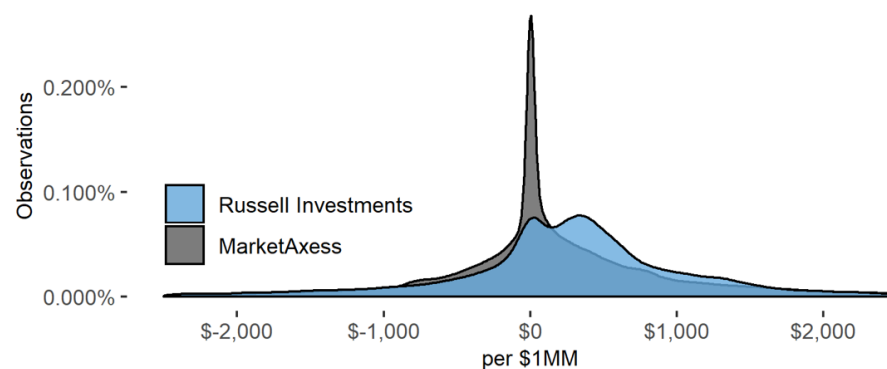
### 4. Post-trade

Dealer analysis and transaction cost analysis (TCA) are both essential tools for optimizing trading performance and minimizing execution costs. By evaluating dealers' performance across sectors and asset classes, we increase the quality of the markets by improving response rates and narrowing spreads. Our execution analysis offers additional and sophisticated insights that compare real-time execution data with prevailing market conditions and also with the outcomes achieved in the market by peers. This in-depth analysis highlights the effectiveness of trades and enables traders to identify areas for improvement to increase the information ratios associated with efficient execution. Together, the dealer review and TCA form a comprehensive framework for refining execution and achieving better outcomes.

*Our execution analysis offers additional and sophisticated insights that compare real-time execution data with prevailing market conditions and also with the outcomes achieved in the market by peers.*

#### Exhibit 4a: The Russell Investments Advantage

Transaction cost analysis: Execution results compared to peer universe by MarketAxess

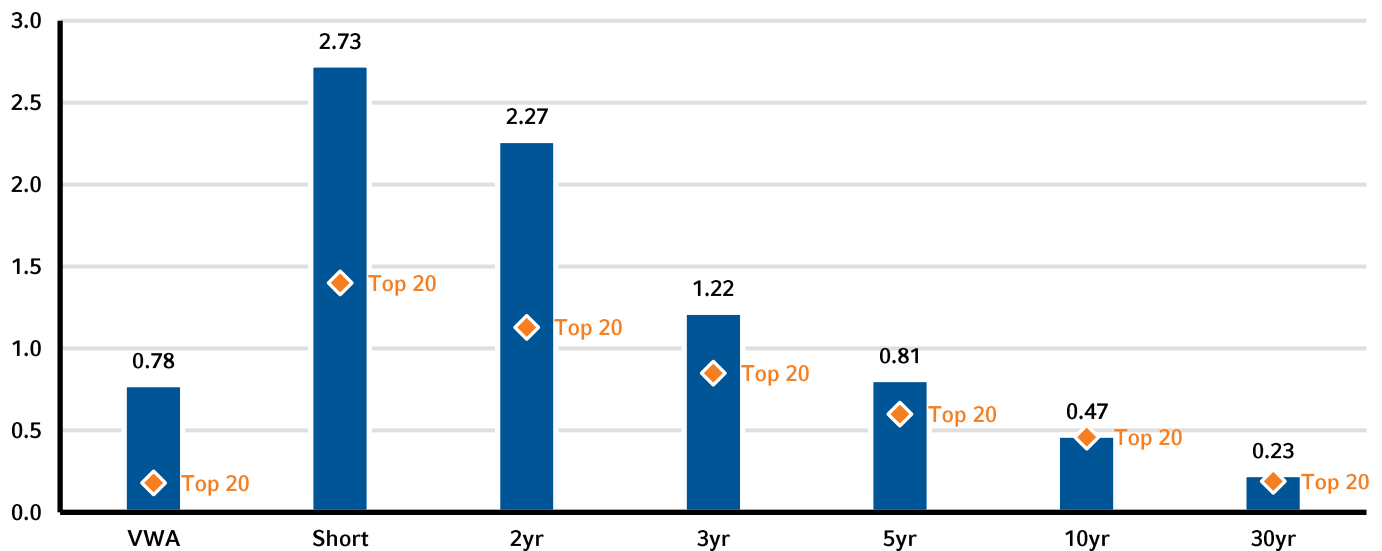


- **Overall 4.41 bps** in price improvement versus Top 20 Asset Manager
- Russell Investments outperformed Top 20 Asset Managers in each duration category

Russell Investment performance vs TRACE. Source: RIIS trading from January 2024 through December 2024 for USD investment grade corporates. Top 20 Size of Asset Managers calculated based on volume of trade on the MarketAxess platform.

## Exhibit 4b: The Russell Investments Advantage

$\Delta$  versus TRACE (bps)



Russell Investment performance vs TRACE. Source: RIIS trading from January 2024 through December 2024 for USD investment grade corporates. Top 20 Size of Asset Managers calculated based on volume of trade on the MarketAxess platform.

## 5. People

Driving these initiatives are the people executing the orders and interacting with the markets and technologies. Russell Investments' fixed income trading desk offers a broad spectrum of trading acumen, including rates, credit, structured products, municipal securities, and emerging and exotic markets, as well as small regional issuance. With experiences from banks, asset managers, and broker dealers, our desk brings a holistic vantage point that is hard to come by in the industry. Our post-trade execution analysis and venue analysis ensures strong and continually improving execution. Our traders are able to efficiently utilize our proprietary technology, access to markets, and experience to deliver strong performance results.

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## The bottom line

This paper outlines the key benefits we believe are available to investors when they partner with Russell Investments for their trading and execution needs. Since 1936, we have experience executing a wide range of instruments for a broad range of clients, we're confident we can help you achieve your trading goals in an efficient and cost-effective manner.



### **Trading and execution services**

Russell Investments provide global reach and market depth to our clients with access to 400+ dealers across 110 countries.

Clients leverage our unique trading to improve access to liquidity venues, platforms and counterparties they don't have access too, along with 24-hour coverage in markets not staffed by clients' internal desk.

Russell Investments acts as an extension, in an agency only capacity, that allows clients to improve execution quality and performance for their funds.

# QUESTIONS?

Call Russell Investments at **800-426-8506**  
or visit [russellinvestments.com/implementation](https://russellinvestments.com/implementation)



## 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, New York, Paris, Shanghai, Sydney, Tokyo, and Toronto.

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