

# Multi Asset Solutions

## A Changing Model for Changing Times

Brian Meath, Managing Director, Portfolio Manager, Russell Investments, U.S.  
Dexton Blackstock, Director, Head of Institutional Business Development, Russell Investments, Canada

2013 Global Investment Conference  
Whistler, B.C.

APRIL 2013

## Important information

Nothing in this publication is intended to constitute legal, tax securities or investment advice, nor an opinion regarding the appropriateness of any investment. This is a publication of Russell Investments Canada Limited and has been prepared solely for information purposes. It is made available on an "as is" basis. Russell Investments Canada Limited does not make any warranty or representation regarding the information.

This document is not intended as and is not to be taken as an offer or solicitation with respect to the purchase or sale of any security or interest, nor does it constitute an offer or solicitation in any jurisdiction in Canada, including those in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such a solicitation or offer. Any decision to purchase securities or interests with respect to the mutual funds described herein (the "Funds") must be based solely upon the information contained in the private placement offering or prospectus documents for the Funds. The information contained herein is directed exclusively at persons who are accredited investors for purposes of Canadian securities laws. Series of the Funds to which this communication relates are only available to the persons referred to above and other persons should not act or rely on the information contained herein. This communication is by Russell Investments Canada Limited.

Russell Investments Canada Limited is a wholly owned subsidiary of Frank Russell Company and was established in 1985. Russell Investments Canada Limited and its affiliates, including Frank Russell Company, are collectively known as "Russell Investments".

Russell Investments and Standard & Poor Corporation are the owners of the trademarks, service marks, and copyrights related to their respective indexes.

**TRADEMARKS** The Russell logo and any Russell indices are either trademarks or registered trademarks of Frank Russell Company. The information and any statistical data contained herein have been obtained from sources which we believe to be reliable but we do not represent they are accurate or complete and they should not be relied upon as such. All opinions expressed and data provided herein are subject to change without notice.

Copyright© Russell Investments Canada Limited 2013. All rights reserved. The contents of this report are intended for the recipient of the report only and are not to be reproduced, transferred or distributed in any form without prior written permission from Russell Investments Canada Limited.

Date of first use: March 2013

INST-2013-02-28-0153 (EXP-02-2014)

**THIS CONFERENCE MATERIAL WAS CREATED BY RUSSELL AS AN EDUCATIONAL TOOL,  
AND IS NOT INTENDED FOR FURTHER DISTRIBUTION**

## Agenda

- › The investment environment
- › New thinking on asset allocation framework
- › Prepare for uncertainty. Manage risk.
  - › Know where you want to be
  - › Know what you own
  - › Be capable of getting there

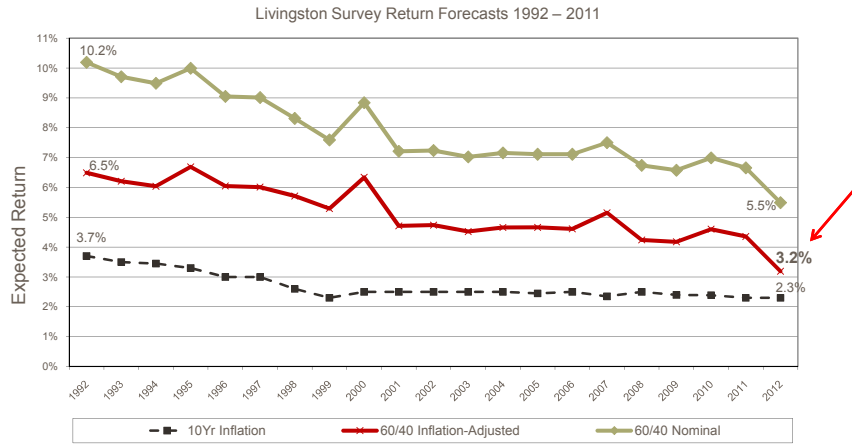
p.3

## The investment environment

p.4

## The investment environment presents new challenges

### Forecasted returns lowest in decades



Source: Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters & Russell. Data as of December, 2011. Expected returns on this chart are the expectations that the Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters as well as Russell Investments had during the time period noted on the chart above. These are 2 year forward looking forecasts. Data is historical and is not indicative of future results. 60/40 = 60% equity, 40% bond portfolio. Equity returns were calculated using the S&P 500 Index, bonds were calculated using the U.S. Treasury 10 year bond. Indexes are unmanaged and cannot be invested in directly. Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.

p.5

## The investment environment presents new challenges

### Markets are volatile and opportunities are fleeting

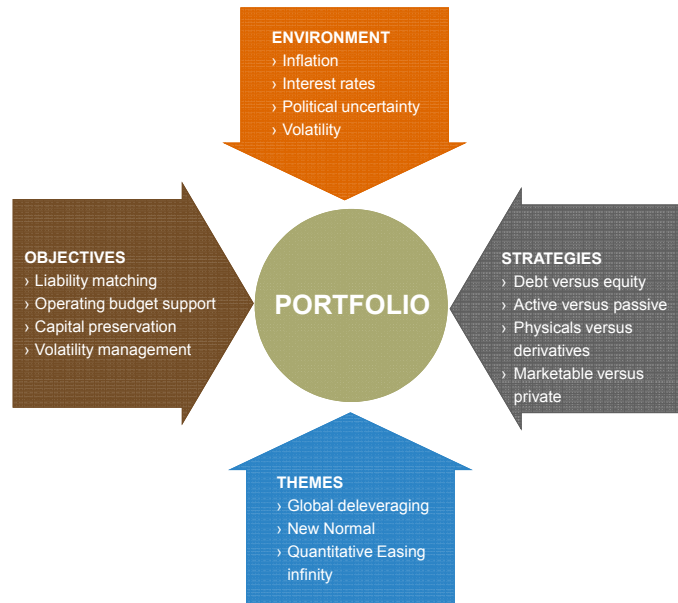


Source: S&P 500 Index. Data as of 11/22/12. Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

p.6

## The investment environment presents new challenges

Multiple considerations and options to choose from

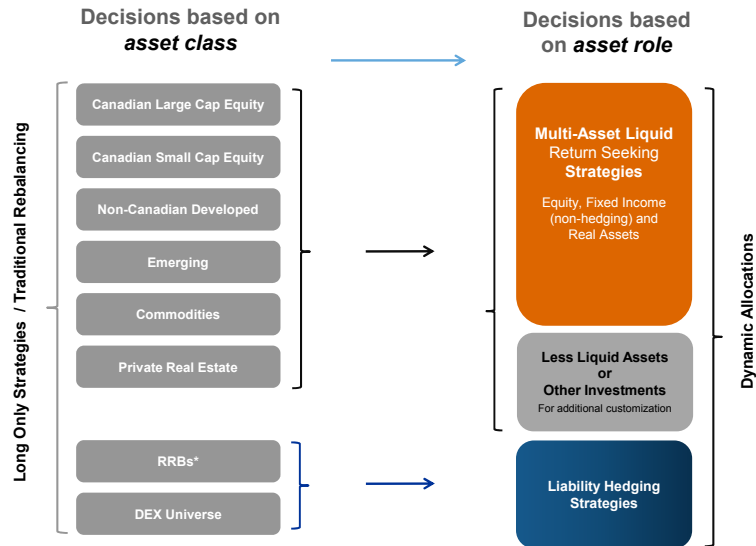


p.7

## New thinking on asset allocation framework

p.8

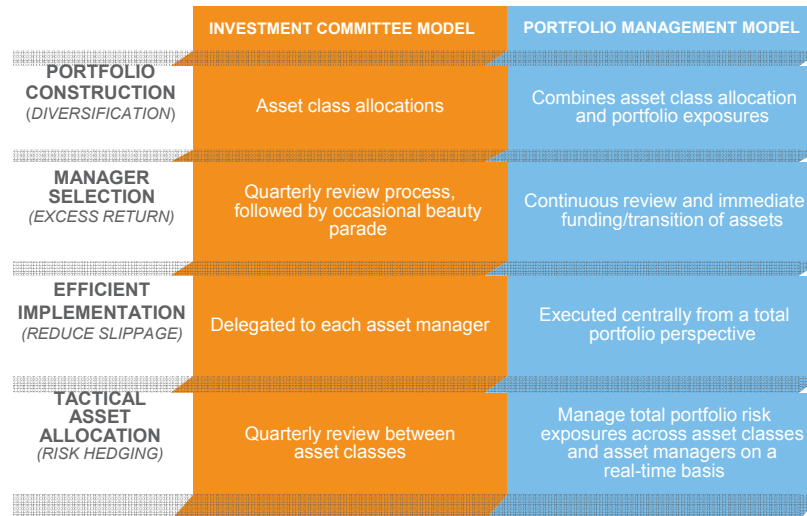
## New thinking on asset allocation framework



\* RRBs: Real Return Bonds

p.9

## The investment decision making process is evolving to get the most value out of each step

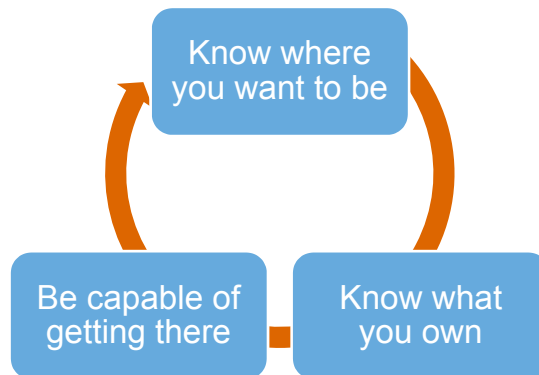


p.10

Prepare for uncertainty.  
Manage risk.

p.11

Prepare for uncertainty. Manage risk.



p.12

## Know where you want to be

### Ask yourself...

What return opportunities do I have vs. how much risk am I willing to take?

Where do I want to be?

- Now?
- In 3 – 6 months?
- Over the next 3 years?

What expert opinions and data do I need?

### What inputs do I need?

#### Expert opinion

- Managers
- Economists
- Strategists (events, macro, val)
- Peers
- Implementation team (deriv)

#### Data

- Market data
- Peer group performance
- Holdings & performance of other managers in strategy

Portfolio Manager preferred positioning



p.13

## Know what you own Allocations

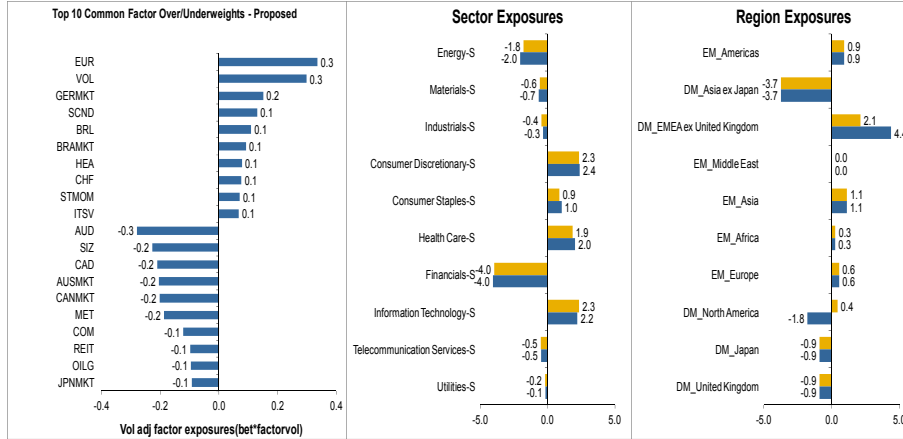
Asset Class / Account	Portfolio Weights		Benchmark Weights	Volatility	Benchmark-Relative		
	\$MM	%			β	Correl	TE
<b>Growth Assets</b>	<b>280.0</b>	<b>70.0%</b>	<b>65.0%</b>	<b>14.2%</b>	<b>1.01</b>	<b>1.00</b>	<b>1.34%</b>
<b>Equities</b>	<b>186.0</b>	<b>46.5%</b>	<b>43.0%</b>	<b>16.1%</b>	<b>1.14</b>	<b>0.99</b>	<b>2.73%</b>
<b>Global Equity</b>	<b>116.0</b>	<b>29.0%</b>	<b>30.0%</b>	<b>17.0%</b>	<b>1.21</b>	<b>0.99</b>	<b>3.77%</b>
Global 1	28.0	7.0%		21.4%	1.47	0.96	8.97%
Global 2	28.0	7.0%		17.9%	1.25	0.98	5.20%
Global 3	28.0	7.0%		14.8%	1.03	0.97	3.58%
Global 4	20.0	5.0%		17.2%	1.15	0.93	6.51%
Global 5	12.0	3.0%		23.7%	1.58	0.94	11.68%
<b>Emerging Markets Equity</b>	<b>70.0</b>	<b>17.5%</b>	<b>13.0%</b>	<b>17.8%</b>	<b>1.12</b>	<b>0.88</b>	<b>8.58%</b>
EM 1	40.0	10.0%		18.7%	1.08	0.86	11.32%
EM 2	30.0	7.5%		16.5%	1.15	0.85	9.56%
<b>Real Assets</b>	<b>54.0</b>	<b>13.5%</b>	<b>12.0%</b>	<b>13.4%</b>	<b>0.81</b>	<b>0.84</b>	<b>7.75%</b>
RA 1	30.0	7.5%		16.7%	0.95	0.80	10.02%
RA 2	24.0	6.0%		14.1%	0.63	0.62	12.22%
<b>High Yield &amp; EMD</b>	<b>40.0</b>	<b>10.0%</b>	<b>10.0%</b>	<b>5.9%</b>	<b>0.33</b>	<b>0.79</b>	<b>10.04%</b>
HY 1	20.0	5.0%		4.5%	0.16	0.50	12.38%
EMD 1	20.0	5.0%		8.9%	0.50	0.79	8.86%
<b>Capital Preservation</b>	<b>120.0</b>	<b>30.0%</b>	<b>35.0%</b>			<b>-0.09</b>	<b>13.99%</b>
<b>Fixed Income</b>	<b>108.0</b>	<b>27.0%</b>					
<b>Cash &amp; Cash Funds</b>	<b>12.0</b>	<b>3.0%</b>					
<b>Total</b>	<b>400.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>13.8%</b>	<b>0.98</b>	<b>1.00</b>	<b>1.32%</b>

Source = Russell Investments, RiskMetrics, 2012 June 12  
Sample report provided to demonstrate the type of analysis available through Russell. It is not meant to represent any specific investment.

p.14

# Know what you own

## Exposures



Source = Russell Investments, Data as of 2/1/13  
 Sample report provided to demonstrate the type of analysis available through Russell. It is not meant to represent any specific investment.

# Know what you own

## Stress test risk of 1% move

	+1% Change in	Benchmark Relative												
		Total Portfolio	Growth Assets					Capital Preservation			LI & Risk			
			AI SA	Equity	SA	HF & EMD	HF & Oid	AI CP	Fixed Income	Fixed Income 2		Cash		
<b>World</b>	Russell 1000	-0.04%	-0.01%	0.07%	0.03%	-0.05%	-0.09%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%	-0.06%
<b>Region</b>	Russell 1000 Growth	-0.04%	-0.01%	0.08%	0.01%	-0.04%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%	-0.03%
	Russell 1000 Value	-0.05%	-0.02%	0.05%	0.03%	-0.02%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%
	Russell 2000	-0.03%	-0.01%	0.04%	0.03%	-0.04%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%
	Russell Global Index	-0.02%	0.01%	0.09%	-0.01%	-0.09%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%	-0.08%
	Europe - STOXX 50	-0.03%	-0.01%	0.08%	-0.06%	-0.02%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
	U.K. - FTSE 100	0.01%	0.04%	0.13%	0.09%	-0.07%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
	Germany - DAX	0.01%	0.03%	0.10%	-0.02%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
	France - CAC 40	-0.02%	0.00%	0.07%	-0.05%	-0.04%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%
	Italy - FTSE MIB Index	-0.01%	0.01%	0.06%	-0.04%	-0.04%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
	Spain - BEX 35	-0.01%	0.00%	0.06%	-0.04%	-0.04%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%
	India - Sensex	0.01%	0.02%	0.07%	-0.01%	-0.11%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%
	South Africa - FTSE/JSE Top 40 Index	0.03%	0.05%	0.12%	0.04%	-0.08%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%
	Russia - Micex Index	0.03%	0.05%	0.09%	0.04%	-0.21%	-0.39%	-0.39%	-0.39%	-0.39%	-0.39%	-0.39%	-0.39%	-0.39%
	Japan - Nikkei 225	0.02%	0.01%	0.10%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%	-0.04%
	HONG KONG - Hang Seng Composite Index	0.00%	0.01%	0.07%	-0.01%	-0.03%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%
China - Shanghai Shenzhen 300 Index	0.00%	0.00%	0.03%	-0.01%	-0.10%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	
Australia - S&P/ASX Australian 200 Index	-0.05%	-0.03%	0.06%	-0.10%	-0.07%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	
<b>Commodity</b>	Dow Jones UBS Commodity Index	0.05%	-0.03%	0.00%	0.18%	0.00%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	-0.09%	
	Dow Jones UBS Commodity ex-Precious Metals Total Return	-0.04%	-0.02%	0.01%	0.17%	0.47%	-0.68%	-0.68%	-0.68%	-0.68%	-0.68%	-0.68%	-0.68%	
	Copper 1M Futures	-0.02%	-0.02%	0.01%	0.04%	-0.28%	-0.41%	-0.41%	-0.41%	-0.41%	-0.41%	-0.41%	-0.41%	
	Corn 1M Futures	-0.02%	-0.02%	-0.02%	0.08%	-0.14%	-0.21%	-0.21%	-0.21%	-0.21%	-0.21%	-0.21%	-0.21%	
	Gold 1M Futures	-0.06%	-0.05%	-0.05%	0.02%	-0.17%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	-0.30%	
	Oil 1M Futures	-0.03%	-0.02%	0.00%	0.07%	-0.28%	-0.36%	-0.36%	-0.36%	-0.36%	-0.36%	-0.36%	-0.36%	
	Lean Hogs 1M Futures	0.00%	0.00%	0.00%	0.04%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	
<b>Fixed Income</b>	Barclays Capital Euro-Aggregate Credit Unhedged in EUR	0.10%	0.07%	0.11%	0.03%	0.65%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	
	Barclays Capital Global Aggregate Hedged in EUR	0.06%	0.01%	0.06%	-0.06%	2.41%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%	2.93%	
	Barclays Capital Global Aggregate Unhedged in EUR	-0.01%	-0.05%	-0.19%	0.01%	0.84%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	
	JP Morgan Euro EMBS Diversified	0.07%	0.04%	0.30%	-0.11%	0.71%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	
	CITI - WorldSIB, France Issuers ex Domestic Sov, in EUR	0.07%	0.02%	0.20%	0.09%	1.64%	1.87%	1.87%	1.87%	1.87%	1.87%	1.87%	1.87%	
	CITI - WorldSIB, Germany Issuers ex Domestic Sov, in EUR	0.10%	0.01%	0.31%	0.07%	2.24%	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%	3.03%	
	HL Global High Yield Index Unhedged Index in EUR	-0.02%	-0.02%	-0.01%	-0.04%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
	Barclays Capital Global Aggregate Hedged in USD	0.08%	0.01%	0.06%	-0.06%	2.40%	2.92%	2.92%	2.92%	2.92%	2.92%	2.92%	2.92%	
	Barclays Capital Global Aggregate Unhedged in USD	-0.19%	-0.16%	-0.10%	-0.03%	0.99%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%	
	Barclays Capital U.S. Long Credit Unhedged in USD	-0.09%	-0.12%	-0.17%	-0.04%	0.89%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%	
	Barclays Capital U.S. Aggregate Unhedged in USD	-0.06%	-0.14%	-0.36%	-0.21%	1.41%	1.55%	1.55%	1.55%	1.55%	1.55%	1.55%	1.55%	
	CDGroup World Government Bond Index	-0.10%	-0.09%	-0.07%	-0.09%	-0.11%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	-0.07%	
	EMBIE - EMBIE	-0.09%	-0.02%	-0.09%	0.05%	-0.03%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	-0.05%	
<b>Equity</b>	FTSE EPRA/NAREIT Developed Index in USD	-0.05%	-0.02%	0.02%	0.08%	-0.51%	-0.76%	-0.76%	-0.76%	-0.76%	-0.76%	-0.76%	-0.76%	
<b>Fixed Income</b>	ISAP Global Infrastructure - Total Return Net in USD	0.00%	0.07%	0.12%	-0.02%	-0.52%	-0.93%	-0.93%	-0.93%	-0.93%	-0.93%	-0.93%	-0.93%	
<b>Commodity</b>	EUR	0.00%	0.04%	0.12%	0.02%	-0.03%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	-0.01%	
	AUD	0.00%	0.04%	0.13%	0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	
	GBP	0.00%	0.02%	0.13%	0.03%	-0.04%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	-0.11%	
	JPY	-0.04%	-0.05%	-0.09%	-0.10%	0.27%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	
	Commodity (DBV)	0.00%	0.03%	0.13%	0.08%	-0.74%	-1.11%	-1.11%	-1.11%	-1.11%	-1.11%	-1.11%	-1.11%	

Source = Russell Investments, RiskMetrics, 12/31/12  
 Sample report provided to demonstrate the type of analysis available through Russell. It is not meant to represent any specific investment.



## Know what you own

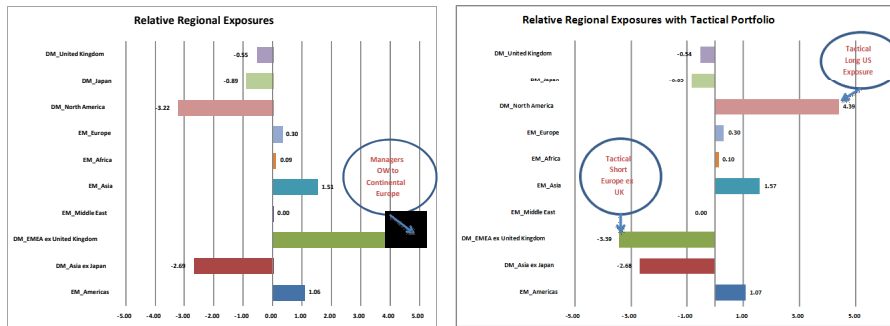
### Scenario risk of uncertainty

Stress Scenario	Time Horizon	Benchmark-Relative							
		Total Portfolio	Growth Assets					Capital Preservation	LR & Risk Sleeves
			All GA	Equity All	RA	HY & EMD	HF & Oth		
Asian Crisis*	1D	-0.59%	-0.75%	-1.21%	-1.38%	3.52%	4.45%	4.46%	4.45%
	5D	-0.71%	-0.97%	-1.86%	0.23%	3.94%	7.58%	7.58%	7.58%
	10D	-1.50%	-1.84%	-2.57%	-1.04%	2.47%	9.44%	9.44%	9.44%
Black Monday*	1D	0.35%	-0.19%	-1.46%	-0.89%	10.09%	18.08%	18.08%	18.08%
	5D	-0.31%	-0.97%	-2.25%	-4.04%	12.59%	21.23%	21.23%	21.23%
	10D	-0.56%	-1.24%	-2.93%	-2.07%	12.32%	21.29%	21.29%	21.29%
Bond Rally	5/1/03-6/13/03	-1.14%	-0.90%	0.99%	-7.02%	-6.55%	-8.79%	-8.79%	-8.79%
Bond Sell-off	6/14/03-7/31/03	0.91%	0.97%	1.97%	-0.97%	-3.81%	-0.80%	-0.81%	-0.80%
Bonds up, Equities down		-0.33%	-0.57%	-1.99%	-2.39%	12.31%	7.61%	7.62%	7.61%
Equity Rally	10/10/02-11/27/02	0.46%	0.83%	4.47%	-10.89%	-10.06%	-11.73%	-11.73%	-11.73%
Equity Sell-off	8/23/02-10/9/02	0.62%	0.32%	-3.05%	11.38%	10.13%	10.41%	10.41%	10.41%
G8 Equity 1M Worst*	1M	0.51%	-0.21%	-1.64%	-1.34%	11.85%	23.90%	23.90%	23.90%
Gulf War*	1D	-0.10%	-0.18%	-0.68%	1.34%	1.47%	2.30%	2.30%	2.30%
	5D	0.23%	0.08%	-1.06%	4.09%	3.01%	5.14%	5.14%	5.14%
	10D	0.07%	-0.07%	-1.30%	4.45%	2.83%	4.80%	4.80%	4.80%
Gulf War 2	3/1/03-3/21/03	-0.01%	0.04%	1.56%	-5.84%	-3.15%	-1.82%	-1.85%	-1.82%
Lehman Crisis (2008)	9/8-10/27	-3.00%	-2.20%	-3.24%	-9.09%	14.74%	31.12%	31.12%	31.12%
Fall 2008*	9/9/08-12/1/08	-0.08%	-1.19%	-2.47%	-8.15%	17.55%	35.85%	35.84%	35.85%
Black Week (2008)*	10/6/08-10/10/08	0.78%	0.24%	-1.04%	0.71%	9.02%	18.16%	18.16%	18.16%
WaMu Collapse*	1D	-0.12%	-0.33%	-0.87%	-0.45%	3.75%	6.77%	6.76%	6.77%
Mexican Crisis*	1D	0.35%	0.34%	0.07%	1.78%	0.33%	0.82%	0.82%	0.82%
	5D	0.44%	0.39%	-0.04%	2.40%	0.85%	2.02%	2.02%	2.02%
	10D	0.59%	0.58%	0.23%	2.85%	0.09%	0.86%	0.86%	0.86%
Russian Devaluation*	1D	-0.20%	-0.29%	-0.54%	-0.57%	1.93%	2.88%	2.87%	2.88%
	5D	-0.81%	-1.07%	-1.73%	-2.72%	5.96%	7.83%	7.83%	7.83%
	10D	-0.71%	-0.95%	-1.73%	-1.20%	5.16%	7.01%	7.01%	7.01%
Sep 11th*	1D	-0.06%	-0.19%	-0.80%	0.73%	3.06%	4.32%	4.32%	4.32%
	5D	-0.08%	-0.37%	-1.27%	-0.76%	6.80%	8.98%	8.98%	8.98%
	10D	-0.33%	-0.60%	-1.74%	0.48%	6.30%	8.43%	8.43%	8.43%
Tech Wreck	4/7/00-4/14/00	-0.92%	-1.02%	-2.08%	2.38%	2.22%	2.27%	2.27%	2.27%
VIX +5%*		0.15%	0.05%	-0.28%	0.04%	2.46%	3.48%	3.48%	3.48%

Source = Russell Investments, RiskMetrics, 12/31/12  
 Sample report provided to demonstrate the type of analysis available through Russell. It is not meant to represent any specific investment.

## Be capable of getting there

### Make sure you have ample levers to apply to your portfolio



### Implementation Capabilities

Cash	Currency	Tactical Trades	Completion Portfolio	Portfolio Emulation
------	----------	-----------------	----------------------	---------------------

Sample report provided to demonstrate the type of analysis available through Russell. It is not meant to represent any specific investment.

# Key takeaways.

p.19

## Dynamic markets demand total portfolio management

### Prepare for uncertainty. Manage risk.

#### What do you need to ask yourself?

1. Do I know what I own every single day?
2. Do I have a clear vision of where I want to be?
3. Do I know how I'm going to get there?
4. Do I have the expertise in house to act in real time if we aren't on track?
5. Will my board & investment committee support this kind of shift and the discretion to act that would need to come along with it?

#### What do you need to do?

1. Understand all risk exposures in your portfolio
2. Decide which risk exposures are properly compensated
3. Use a wide range of levers to create and maintain your desired exposures

p.20

Thank you!



Q & A

