

Russell Market Research

Investment Manager Outlook

DATE

December 2011

AUTHOR

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COUNTRY

United States

SYNOPSIS

Russell's quarterly survey of managers and their views of the market.

WHAT IS RUSSELL'S INVESTMENT MANAGER OUTLOOK?

Russell's Investment Manager Outlook is an ongoing, quarterly survey intended to generate a meaningful snapshot of investment manager sentiment. For the current installment of the survey, Russell collected the opinions of senior-level investment decision makers at equity investment management firms, as well as at fixed-income investment management firms, which includes all of the managers in our database not just those in Russell funds. For this iteration, 200 managers participated in the survey.

WHY IS IT IMPORTANT?

By providing insights into investment managers' market perspectives and opinions, Russell's Investment Manager Outlook helps advisors and investors better understand the direction of the markets and key investment trends.

Summary of key findings and Russell's perspective

SUMMARY OF KEY FINDINGS

A wide majority of surveyed managers say they expect higher volatility levels, such as those seen in 2011, to continue during 2012.

- › A large majority, 70 percent of managers, say they expect high market volatility to continue during 2012. Of these managers, 63 percent say that despite expected market volatility they like their current investment positioning and do not plan to make portfolio changes based on volatility expectations. Another 37 percent of managers expecting continued volatility cited a variety of reasons for why they will make changes to their portfolios. Generally, those reasons involved allocating assets to capitalize on the volatility or to minimize associated risks.
- › Dissenting managers, 30 percent of those surveyed, believe market volatility will be tempered during 2012. They gave varying reasons for their opinions, with most involving stabilization of the European debt crisis. More clarity surrounding U.S. economic concerns was also cited as a reason to expect less volatility during 2012. Others believe volatility will be tempered in 2012 only because it was so high in 2011 and they don't expect such extremes to continue.
- › Also of note, U.S. large cap value equities topped the bullish sentiment list among managers (61 percent bullish) in December 2011, followed by U.S. large cap growth equities (58 percent bullish), and emerging markets equities (56 percent bullish). Bullish sentiment fell 12 percentage points, to 33 percent, for non-U.S. developed market equities.
- › The largest decrease in bullish sentiment during the December survey was for emerging markets, at 56 percent, which is down 18 percentage points from the September survey.
- › Overall, managers remain bearish (75 percent bearish) regarding U.S. Treasuries, which tied cash at nine (9) percent bullish. This is essentially unchanged as compared to the September 2011 survey results.

Key trends / December 2011 Investment Manager Survey*

Emerging Markets Equities

↓

LESS BULLISH

"Volatility driven by fiscal and monetary authorities will remain, but the efficacy of such interventions will continue to diminish. We feel the markets reflect the difficult economic environment that lies ahead and look for a bounce back in emerging markets, particularly those in Asia."

Artio Global Investors

U.S. Equities

↑

MORE BULLISH

"The U.S. may start to look like the best house in a bad neighborhood. Europe could potentially slip into recession and the emerging markets have cooled. An end to quantitative easing could help boost the dollar and modest yet stable GDP growth could return the U.S. markets back to more normal valuation levels. U.S. companies are well capitalized and they are prepared to manage through a slow growth environment."

Magee Thomson Investment Partners

* Compared to results from the September 2011 Russell Investment Manager Outlook survey.

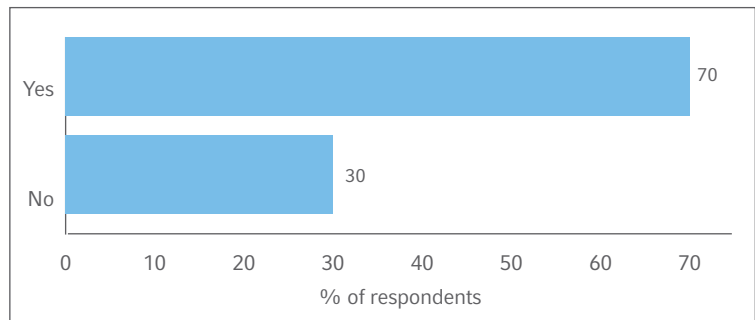
Summary of key findings and Russell's perspective

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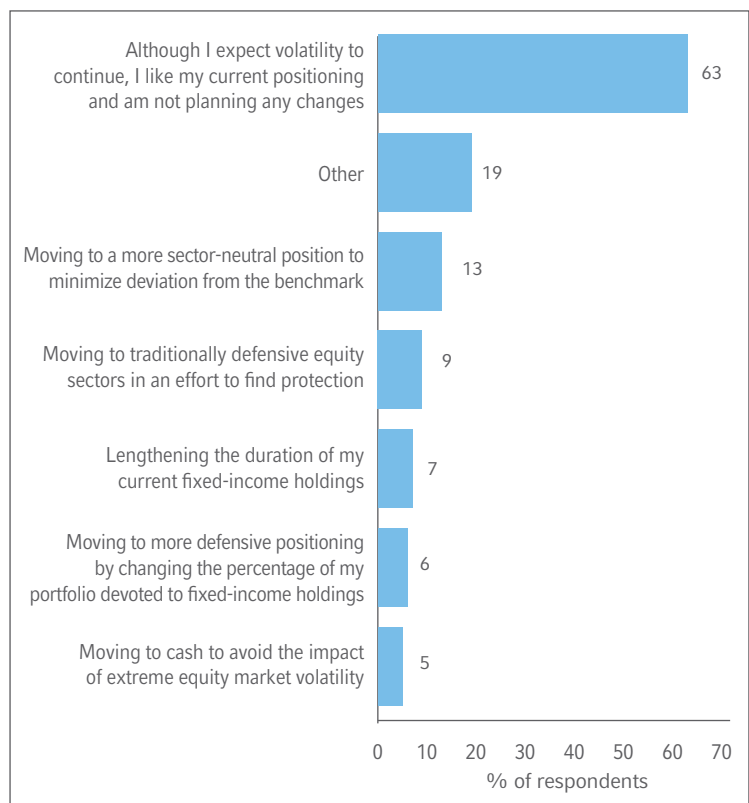
RUSSELL'S PERSPECTIVE ON KEY FINDINGS

- › Russell is in agreement with the 70 percent majority of surveyed managers who believe market volatility will continue in 2012. Given the wide variety of issues with uncertain macroeconomic outcomes in both Europe and the United States, Russell believes it is reasonable to expect that volatility will continue into next year.
- › Some managers are concerned that a Eurozone recession could spread to the United States. Europe buys 22 percent of U.S. exports, so if we see a Eurozone recession, we could see exports fall and the consumer base for U.S. products shrink. Additionally, there are contagion issues for the U.S. stock market (fear driven) and for the U.S. financial system (based on exposure to European debt), which could have an effect if there is a default of one of the peripheral countries in the Eurozone.
- › Additionally, U.S. debt and economic issues could also increase short-term market volatility in 2012, particularly in connection with the additional uncertainty created by the lack of action by the Joint Select Committee on Deficit Reduction (Super Committee). Finally, 2012 is an election year in the United States, which may also foster market volatility.
- › While the majority of managers continue to expect market volatility, they also indicate that they generally like their current portfolio positioning. Russell believes this is reflective of managers' generally long-term outlook, which means short-term conditions have relatively little influence on their investment decisions. However, despite relatively high levels of pessimism, most managers are still seeing attractive stock valuations.

Do you expect similar volatility levels to continue through 2012?



(IF YES) What changes are you making to your portfolio as a result of your volatility outlook? (Please select all that apply)



Valuation of the U.S. equity market

SUMMARY OF FINDINGS

Manager sentiment regarding U.S. equity market valuations shifted somewhat during the December 2011 survey, with more managers viewing the market as fairly valued, as compared to the September survey.

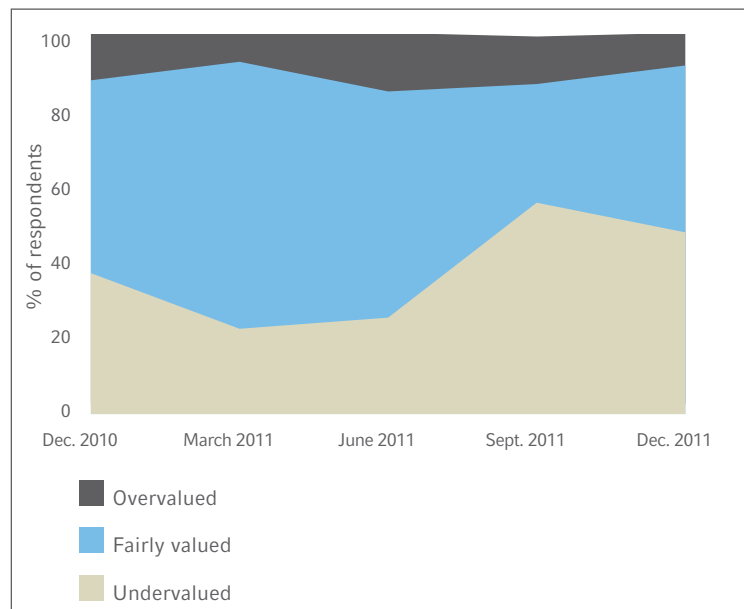
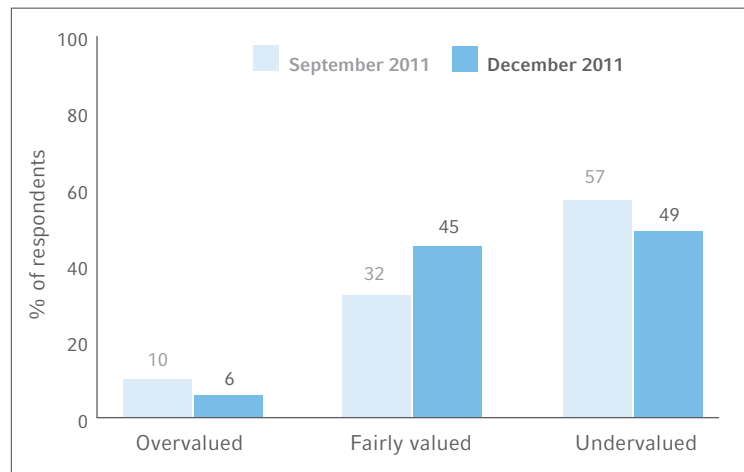
- › Forty-five (45) percent of managers see the U.S. equity market as fairly valued, which is up 13 percentage points from September. The all-time high for the survey was January 2011, when seventy-two (72) percent of managers believed the market was fairly valued.
- › Currently, 49 percent of respondents believe the market is undervalued, which is an eight (8) percentage point drop from September results. However, undervalued sentiment remains significantly higher than it was earlier in 2011. In June, 26 percent, and in March, 23 percent, of survey respondents said the market was undervalued.
- › Just six (6) percent of managers, nearly a survey low, say the market is overvalued. This represents a four (4) percentage point drop from September results and is consistent with levels seen throughout 2011. In June, 13 percent believed the market was overvalued and in March 2011, which was the all-time survey low, just five (5) percent said the market was overvalued.

RUSSELL'S PERSPECTIVE

- › Russell believes the jump in sentiment regarding the market as being fairly valued partially reflects some good market news that occurred throughout the month of October, just before managers were surveyed. After a tough September, markets were up for most of October. As a result, managers may have seen this uptrend as the bounce that would bring the market back in line with fair valuation.
- › As for the portion of managers saying the market is undervalued (49 percent) and those managers saying the market is overvalued (6 percent), this is reflective of their varying views regarding what the future will hold. Currently, the vast majority of managers hold a relatively optimistic view, either believing the market is undervalued or is fairly valued.

Russell's Investment Manager Outlook

Which of these general valuation conditions best describes the current U.S. equity market?



Note: Numbers may not add to 100 percent due to rounding.

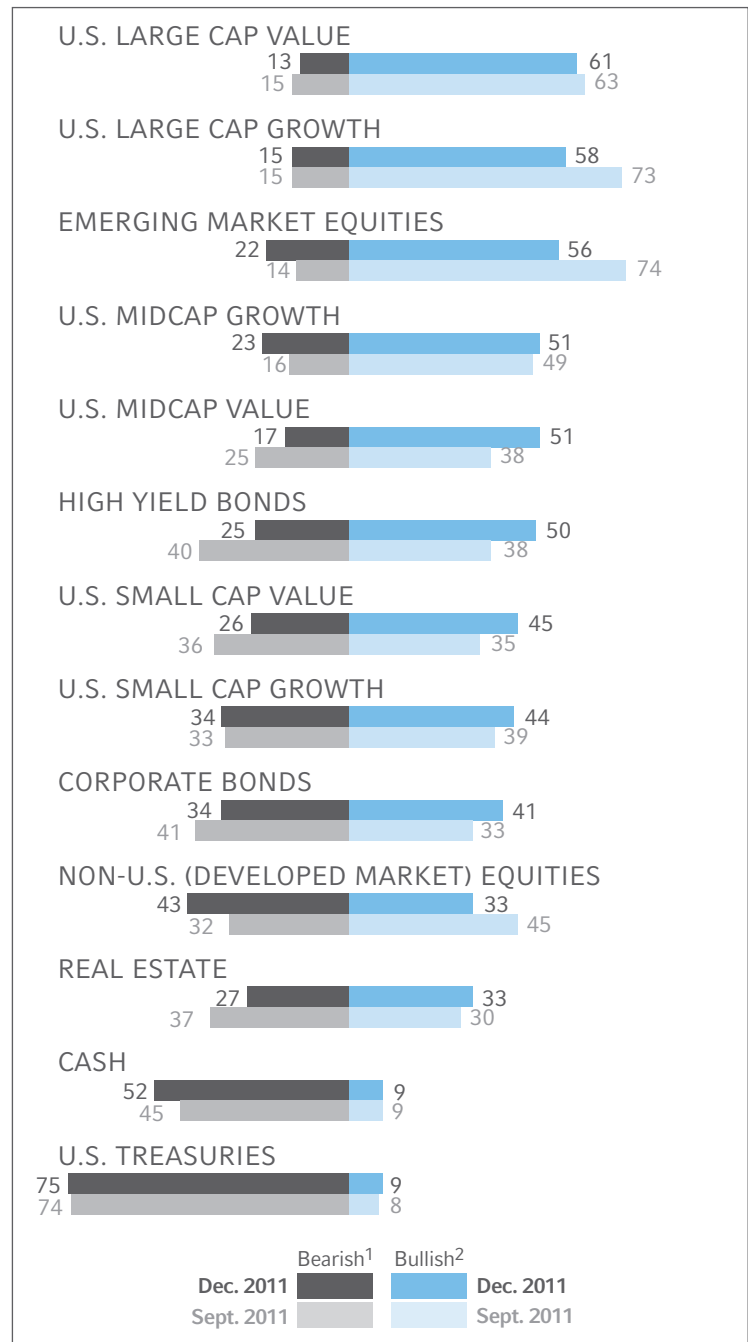
Expectations by asset class

SUMMARY OF FINDINGS

Overall, managers indicate that they believe risk assets are currently less attractive, particularly those assets perceived as the most risky, such as emerging markets, non-U.S. developed markets and growth equities. Despite less bullishness for risk assets overall, U.S. large cap value and U.S. large cap growth held the number one and number two spots on the bullish sentiment list relative to all asset classes.

- U.S. large cap value equities gained the lead in the December 2011 survey, with 61 percent of managers bullish on the asset class. However, this is down two (2) percentage points over September sentiment for the asset class.
- Following closely behind was U.S. large cap growth, which held the second spot in the bullish sentiment list for asset classes, at 58 percent bullish. Although this indicates strong bullishness as compared to other asset classes, it represents a 15 percentage point decline in bullishness as compared to September results.
- Emerging markets equities was again in the top three asset classes based on bullish sentiment, but manager bullishness for the asset class lost ground over previous surveys. According to the December survey results, 56 percent of managers are bullish on the asset class, which is down 18 percentage points as compared to the September results.
- U.S. midcap growth and U.S. midcap value (tied at 51 percent bullishness) both gained favor in the December survey, but by widely different margins. U.S. midcap growth gained just two (2) percentage points, while U.S. midcap value gained 13 percentage points.
- For small cap stocks, both value and growth also gained favor, but value outpaced growth. U.S. small cap value, 45 percent bullish, gained 10 percentage points in December, while U.S. small cap growth, 44 percent bullish, gained five (5) percentage points.

Manager expectations by asset class



Note:

¹ Bearish = percent of managers responding with 1–3 on a scale of 1–7.

² Bullish = percent of managers responding with 5–7 on a scale of 1–7.

Scores for neutral (4) are not included.

Expectations by asset class

(CONTINUED)

- › Bullishness for non-U.S. developed markets equities lost 12 percentage points during December, with 33 percent of managers bullish on the asset class, as compared to 45 percent in the September survey.
- › A significant majority, 75 percent, of managers are bearish regarding U.S. Treasuries. Bullish sentiment surrounding this asset class is just nine (9) percent. Managers have been bearish regarding this asset class for several quarters.
- › Emerging markets equities, while still holding the number three spot on our bullish sentiment list in December, is at its lowest point since the March 2011 survey, when 55 percent of managers were bullish on the asset class. While emerging markets is a volatile asset class, managers have generally maintained a bullish sentiment for the asset for some time. Russell believes this reflects the manager's overall optimism for the asset class, but short-term nervousness based on macroeconomic concerns and speculation regarding China's economic strength, including whether it will be able to engineer a soft landing, is impacting sentiment on the downside.

RUSSELL'S PERSPECTIVE

- › Russell believes bullishness for U.S. large cap value stocks, which has never held the top spot in our survey before, may be due to overall macroeconomic issues, particularly ongoing concerns regarding sovereign debt issues in Europe. In general, bullishness increased for value stocks, which may look attractive on a relative basis to other equities because managers may be looking for higher quality, lower priced stocks in a market environment where growth stories are not compelling, and where many of the traditional growth stocks that are perceived as defensive have been in favor and are now looking expensive. Higher dividend yields within value stocks may also look attractive at a time when U.S. Treasury yields are low. For example, the yield on the average U.S. Treasury bond is around two (2) percent, but the average dividend yield for large-cap value stocks was 2.63 percent as of November 30, 2011, based on the Russell 1000 Value Index.
- › Russell believes non-U.S. developed markets equities lost ground in the December survey because of the ongoing Eurozone sovereign debt issues, which continue to roil markets. Additionally, it is widely expected that the Eurozone will enter a recession in the near future, which will impact the stocks of that region.
- › While U.S. Treasuries continue to be out of favor, high-yield bonds and corporate bonds gained favor. As yields on U.S. Treasuries are not keeping pace with inflation, higher yielding strategies, such as corporate bonds and high-yield bonds, look more attractive. Although U.S. Treasuries tend to perform well in "risk-on" environments, if we return to a more normal environment, higher-risk strategies would be expected to outperform.
- › While bullishness for U.S. large cap growth and value stocks are not far apart in the latest survey, it is noteworthy because U.S. large cap growth stocks generally garner significantly more bullish sentiment from managers.

Expectations by sector

SUMMARY OF FINDINGS

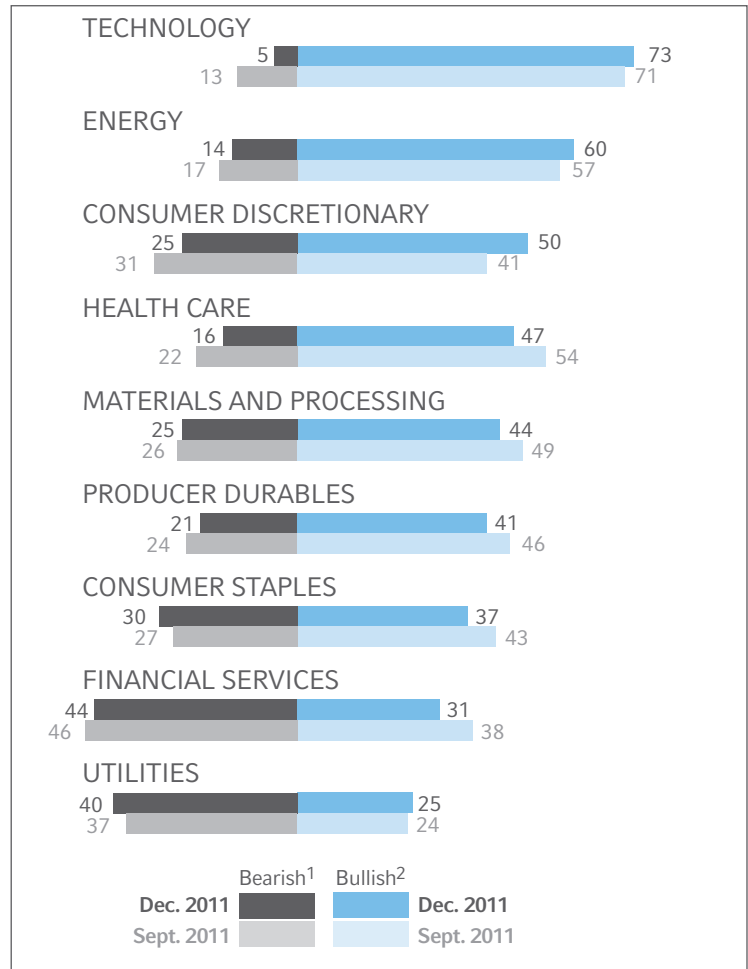
Technology, energy and consumer discretionary led the bullish sentiment sector list in the December 2011 survey. However, bullish sentiment fell for several sectors, particularly health care, financial services, producer durables and materials and processing.

- › The technology sector has been a consistent favorite among managers for several years (12 quarters consecutively) and December results were no exception. While the sector topped the bullish sentiment list, at 73 percent bullish, this is down slightly, two (2) percentage points, versus the September 2011 results.
- › Bullishness for the consumer discretionary sector moved up nine (9) percentage points in the latest iteration of the survey. Fifty (50) percent of managers are bullish on the sector, as compared to 41 percent bullish sentiment in September.
- › Of note was a change in sentiment regarding the health care sector, which lost seven (7) percentage points, according to December survey results. Forty-seven (47) percent of managers are bullish on the sector, as compared to 54 percent bullish sentiment in September.
- › Bullishness for financial services fell seven (7) percentage points, from 38 percent in September 2011, to 31 percent in December 2011. Forty-four (44) percent of managers are bearish on the sector.
- › Interestingly, given the market’s high volatility, bullishness for the traditionally “defensive” consumer staples sector fell six (6) percentage points, to 37 percent in December, as compared to 43 percent bullish in September.

RUSSELL’S PERSPECTIVE

- › Managers have consistently favored the technology sector, which Russell believes is a sentiment based largely on the balance-sheet strength of these companies, as well as on continued anticipation of business and consumer demand.

Manager expectations by sector



Note:

¹ Bearish = percent of managers responding with 1–3 on a scale of 1–7.

² Bullish = percent of managers responding with 5–7 on a scale of 1–7.

Scores for neutral (4) are not included.

Expectations by sector

(CONTINUED)

- › Bullishness for the consumer discretionary sector increased as some managers looked to buy back into some of the more economically sensitive or cyclical stocks after these companies were oversold during third quarter. This is a diversified sector that includes not only retail-oriented stocks, but also autos, media and entertainment and gambling stocks. Also, as managers may be expecting comparatively better growth within the United States, many of these consumer-oriented stocks could benefit.
- › A dip in health care sector bullishness may reflect uncertainty as the United States moves into an election year, where this matter is sure to be a frequent topic of discussion.
- › The drop in bullishness for the financial services sector likely reflects manager nervousness about the macroeconomic environment. It also reflects sector-specific concerns due to uncertainty surrounding potential new regulatory controls. Additionally, there are concerns based on the ramifications if there was a Eurozone default, since U.S. financial institutions could be impacted as many have some exposure to the debt of European countries.
- › Decreased bullishness for the “safe haven” consumer staples sector may reflect that these stocks have been very popular as investors moved more defensively in the “risk-off” environment and, as such, are now looking expensive to many managers.

Asset class and sector performance

Index performance for the period ending October 2011.

| Index | Asset class | Latest month | Ytd | Annualized total returns (%) | | | |
|---|------------------|--------------|-------|------------------------------|------------|-----------|----------|
| | | | | One year | Three year | Five year | Ten year |
| Russell 1000® Index | Large Cap | 11.2 | 0.9 | 8.0 | 12.2 | 0.5 | 4.2 |
| Russell 1000® Growth Index | Large Cap Growth | 11.0 | 3.0 | 9.9 | 15.6 | 3.0 | 3.6 |
| Russell 1000® Value Index | Large Cap Value | 11.4 | -1.1 | 6.2 | 8.8 | -2.0 | 4.6 |
| Russell Midcap® Index | Mid Cap | 13.0 | -0.9 | 7.8 | 17.8 | 2.3 | 8.3 |
| Russell Midcap® Growth Index | Mid Cap Growth | 13.5 | 0.3 | 10.1 | 20.0 | 3.5 | 7.0 |
| Russell Midcap® Value Index | Mid Cap Value | 12.6 | -2.1 | 5.8 | 15.6 | 0.7 | 8.8 |
| Russell 2000® Index | Small Cap | 15.1 | -4.5 | 6.7 | 12.9 | 0.7 | 7.0 |
| Russell 2000® Growth Index | Small Cap Growth | 15.9 | -2.2 | 9.8 | 16.3 | 2.7 | 6.0 |
| Russell 2000® Value Index | Small Cap Value | 14.4 | -6.8 | 3.5 | 9.5 | -1.4 | 7.6 |
| Russell 3000® Index | Broad Cap | 11.5 | 0.5 | 7.9 | 12.3 | 0.5 | 4.4 |
| Russell Developed ex-U.S. | Non-US Equities | 9.7 | -6.7 | -2.8 | 12.6 | -0.9 | 7.3 |
| Russell Emerging Markets | Emerging Markets | 12.6 | -11.9 | -7.8 | 25.3 | 7.0 | 17.1 |
| Barclays Capital U.S. Treasury Bond | U.S. Treasuries | -0.8 | 8.0 | 5.3 | 6.3 | 6.5 | 5.2 |
| Barclays Capital U.S. Aggregate Bond | Corporate Bonds | 0.1 | 6.8 | 5.0 | 8.9 | 6.4 | 5.5 |
| Barclays Capital U.S. Corp. High-Yield Bond | High-Yield Bonds | 6.0 | 4.5 | 5.2 | 23.0 | 8.0 | 9.2 |
| FTSE NAREIT U.S. Real Estate | Real Estate | 13.3 | 6.4 | 9.5 | 16.3 | -1.7 | 10.3 |
| Citigroup 3-Month T-Bill | Cash | 0.0 | 0.1 | 0.1 | 0.2 | 1.5 | 1.9 |

| Index | Sector | Latest month | Ytd | One year | Three year | Five year | Ten year |
|---------------------|------------------------|--------------|-------|----------|------------|-----------|----------|
| Russell 3000® Index | Consumer Discretionary | 12.5 | 4.2 | 11.7 | 20.9 | 3.1 | 5.6 |
| | Consumer Staples | 4.2 | 8.8 | 12.2 | 13.0 | 7.8 | 8.4 |
| | Energy | 17.7 | 2.2 | 18.5 | 11.5 | 5.3 | 10.7 |
| | Financial Services | 13.6 | -10.7 | -2.9 | 0.6 | -12.0 | -0.8 |
| | Health Care | 5.9 | 6.9 | 10.0 | 10.8 | 2.9 | 2.8 |
| | Material Processing | 17.6 | -6.7 | 4.1 | 16.6 | 2.2 | 8.2 |
| | Producer Durables | 14.7 | -3.7 | 5.4 | 11.8 | 0.1 | 5.0 |
| | Technology | 12.0 | 2.8 | 8.0 | 20.1 | 5.6 | 4.5 |
| | Utilities | 3.9 | 8.1 | 11.4 | 11.5 | 1.7 | 4.0 |

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Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Russell equity sector returns are calculated by categorizing the securities that make up the Russell 3000® Index into discrete industry groupings and then computing the net return for each grouping.

Methodology and background about Russell

Methodology

Russell Investments conducted the Investment Manager Outlook survey between November 1 and November 11, 2011. The survey was sent to a group of U.S. large cap and small cap equity and U.S. fixed-income investment managers, researched by Russell. Having a financial relationship with Russell was not part of the criteria for being included in the survey. In total, 200 survey responses were received. The large majority of individual respondents to Investment Manager Outlook have senior-level investment decision responsibilities and are often portfolio managers or chief investment officers (CIOs). Other participants include investment strategists, research analysts, and others. The manager research that Russell conducts for investment purposes is independent of Investment Manager Outlook, and responses to the survey are voluntary.

About Russell Investments

Russell Investments provides asset management and investment services to institutional and individual investors. We offer mutual funds, indexes, alternative investments and implementation services such as transition management and trade execution. Russell has offices in most major financial centers and serves clients in more than 35 countries.

Russell is one of the world's most influential and trusted providers of investment services. A pioneer in multi-manager investing and the creator of the Russell Indexes, Russell manages over US\$137.6 billion in assets as of September 30, 2011. We work with more than 2,300 clients, ranging from small and mid-sized organizations to many of the world's largest and most sophisticated investors, responsible for hundreds of billions of dollars. Our innovative investment approach is made available to individuals through a network of strategic distribution alliances and independent investment advisors. Our clients include banks and insurance companies, investment advisors, defined benefit and defined contribution plans, endowments, foundations and sovereign wealth funds.

We seek to understand capital markets and identify investment managers we believe have exceptional capabilities. To achieve these goals, our analysts hold more than 3,000 research meetings each year with investment managers around the world. The cumulative knowledge we gain from this in-depth research serves as the foundation for all of our products and services.

Founded in 1936, Russell is headquartered in Seattle, Washington. Russell is a subsidiary of Northwestern Mutual, and the company's executive management has a minority equity participation in the firm. More information about Russell's investment products and services is available at www.russell.com.

Asset class definitions

Large Cap

Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between \$10 and \$200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Small Cap

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than \$2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

Mid Cap

Mid capitalization (mid cap) investments involve stocks of companies generally having a market capitalization between \$2 billion and \$10 billion and considered more volatile than large cap companies. Mid cap investments are often considered to offer more growth potential than large caps (but less than small caps) and less risk than small caps (but more than large caps).

Growth

Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

Value

Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or, such stock may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

Bonds

Bond investors should carefully consider risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to subprime mortgages.

Real Estate

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation.

Emerging Markets

Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which can be expected to have less stability than those of more developed countries. Securities may be less liquid and more volatile than U.S. and longer established non-U.S. markets.

Non-U.S. (Developed Market) Markets

Non-U.S. markets entail different risks than those typically associated with U.S. markets, including currency fluctuations, political and economic instability, accounting changes and foreign taxation. Securities may be less liquid and more volatile.

U.S. Treasuries

Treasuries are debt obligations of the U.S. Treasury. Principal and interest payments are guaranteed by the U.S. Government.

Cash

Short-term investments typically involve instruments such as 90-day government Treasury Bills, high quality short-term notes and commercial paper issued by major financial institutions and blue chip companies. While highly liquid, cash generally has not kept pace with inflation.

Sector definitions

Technology

Contains companies that serve the information technology, telecommunications technology and electronics industries. Companies developing and marketing internet software and/or providing internet services including online databases and interactive services, web address registration services, database construction and Web design services are found here. Also includes companies involved in entertainment software, including video games, and companies that produce machinery for making high-end electronics. E-commerce companies are not included in the technology sector.

Health Care

Consists of companies that manufacture health care equipment and supplies or provide health care-related services such as lab services, in-home medical care and health care facilities. Also included are companies involved in research, development and production of pharmaceuticals and biotechnology.

Consumer Discretionary

Contains companies that manufacture products and provide discretionary services directly to the consumer. Household durable goods, apparel, home electronic devices, leisure equipment and automotive are included. The services segment includes hotels, restaurants and other leisure facilities, media production services, consumer retailing and services, wholesalers, and importers/exporters. E-commerce companies are also included in the consumer discretionary sector.

Consumer Staples

Consists of companies that provide products directly to the consumer that are typically considered nondiscretionary items on the basis of consumer purchasing habits. It includes manufacturers and distributors of food, beverages and tobacco as well as producers of non-durable household goods. It also includes food- and drug-retailing companies as well as agriculture, fishing, ranching and milling companies. Consumer Staples is said to be a less dynamic Sector and to remain static, while the rest tend to be more cyclical in nature.

Energy

Contains energy-related businesses, such as oil companies involved in the exploration, production, servicing, drilling and refining processes, and companies primarily involved in the production and mining of coal and other fuels used in the generation of consumable energy. Gas extraction, distribution and pipeline companies classify into this Sector. The alternative energy Sub-Sector includes companies engaged in any aspect of the solar power, wind power, hydro power and biofuel industries.

Materials and Processing

Consists of companies that extract or process raw materials, and companies that manufacture chemicals, construction materials, glass, paper, plastic, forest products and related packaging products. Metals and mineral miners, metal alloy producers, and metal fabricators are included.

Producer Durables

Contains companies whose businesses are dominated by any of the following activities: Manufacturing and distribution of capital goods, including aerospace, industrial machinery and electrical equipment. Also included are companies that supply transportation services, such as shipping, trucking, railroads and railroad equipment. Other areas include office equipment and services to businesses. Commercial services are also included in this group as an input to the manufacturing and distribution of capital goods.

Financial Services

Consists of companies involved in banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investments and real estate, including REITs.

Utilities

Contains companies in industries heavily affected by government regulation, such as electric, gas and water utilities. Also includes companies providing telephone services, as well as companies that operate as independent producers or distributors of power.

Index definitions

Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, representative of the U.S. large capitalization securities market.

Russell 1000® Growth Index measures the performance of those Russell 1000® Index securities with higher price-to-book ratios and higher forecasted growth values, representative of U.S. securities exhibiting growth characteristics.

Russell 1000® Value Index measures the performance of those Russell 1000® Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. securities exhibiting value characteristics.

Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

Russell Midcap® Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, representative of the U.S. small capitalization securities market.

Russell 2000® Growth Index measures the performance of those Russell 2000® Index securities with higher price-to-book ratios and higher forecasted growth values, representative of U.S. securities exhibiting growth characteristics.

Russell 2000® Value Index measures the performance of those Russell 2000® Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. securities exhibiting value characteristics.

Russell 2500™ Index measures the performance of the 2,500 smallest companies in the Russell 3000® Index, representative of the U.S. small to medium-small capitalization securities market.

Russell 3000® Index measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

Russell Developed ex-U.S. Index measures the performance of the largest investable securities in developed countries globally, based on market capitalization, excluding securities classified in the United States. The index covers 46% of the investable global market.

Russell Emerging Markets Index measures the performance of emerging market securities in the Russell Global Index, based on market capitalization. The index includes approximately 2,800 securities and covers 20% of the investable global market.

Barclays Capital U.S. Treasury Bond Index covers public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Barclays Capital U.S. Aggregate Bond Index
An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities.

Barclays Capital U.S. Corporate High-Yield Bond Index covers the universe of fixed rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included. The index includes both corporate and non-corporate sectors.

FTSE NAREIT Equity REITs Index is an index, with dividends reinvested, representative of tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange and the NASDAQ National Market System.

Citigroup 3-Month Treasury Bills is an index, with income reinvested, generally representative of the average yield of three-month Treasury-Bills.

General disclosures

Performance quoted represents past performance and should not be viewed as a representation of future results.

¹ We define bearish as...on balance, an organization's or individual's predominant view based on a belief that general market conditions for the period in question will be negative, and relative valuations of securities in general will trend downward. This view should not be considered investment advice nor does it apply to any specific security.

² We define bullish as...on balance, an organization's or individual's predominant view based on a belief that overall market conditions for the period in question will be positive, and relative valuations of securities in general will trend upward. This view should not be considered investment advice nor does it apply to any specific security.

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