

Take Note

RIC AND MSMM GLOBAL BOND FUNDS, AND RIC II GLOBAL BOND FUND EURO HEDGED – MANAGER CHANGE

In August 2007 we added Drake Capital Management and terminated MSIM from all three funds.

Change Summary

- Drake combines a strong, investment team with a small asset based and flexible decision making structure, to trade in smaller, less liquid fixed income sectors. Its shorter-term investment horizon differentiates it from the other managers in the fund.
- The new manager's long experience in managing hedge fund assets enables it to bring many of the skills and trade ideas from this area to the Fund. This includes a more active use of derivatives, and a greater emphasis on cash-backing strategies, high yield, and emerging markets local currency debt than the other managers in the Fund.
- Drake aims to capture persistent anomalies in fixed income markets which are created by market segmentation effects (i.e. the steepness of the front-ends of yield curves), benchmark misspecification (off-benchmark sectors are often under-researched and less efficiently priced) and inefficiencies created by delays in discounting public information in security prices.
- We have also increased the weight of Loomis, a manager in which we have increasing conviction.

Drake at a glance

Key characteristics:	Aggressive approach across a broad mix of strategies and sectors.
Parent Company:	Primarily owned by the Chief Investment Officer and Chief Operating Officer.
Location:	New York
Experience:	CIO and lead portfolio manager Anthony Faillace has 15 years' investment experience.
Founded:	In 2001 by managers who previously worked at PIMCO and BlackRock.
AUM:	\$9bn across all mandates at the start of 2007.

Changes to manager weights in the RIC and MSMM Global Bond Funds and RIC II Global Bond Fund Euro Hedged

Manager	Fund Weight (%)		Role in Fund
	Old	New	
PIMCO	32.5	30	Core global
Loomis	25	30	Multi-sector value
Colchester	15	15	Global macro value
MSIM	27.5	0	Multi-sector value
Drake	0	25	Global core plus

This material does not constitute an offer or invitation to anyone to invest any Russell product, or use any Russell services and has not been prepared in connection with any such offer. Any opinions expressed are those of Russell Investments Limited and not a statement of fact and they do not constitute investment advice and are subject to change. This material is not intended for distribution to private customers. Unless otherwise specified all information contained in the document is current at the time of issue.

Copyright © 2007 Russell Investments Limited. Issued by Russell Investments Limited. Company No. 02086230. Registered in England and Wales with registered office at: Rex House, 10 Regent Street, London SW1Y 4PE. Telephone 020 7024 6000. Authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.