

OpenWorld Commodities Long Neutral Strategy

KEY FUND FACTS

MT LUCAS

Money manager: Mount Lucas Management Corporation ('MLM')

Fund objective*: Provide exposure to global commodities by investing in one of the finest implementers of trend-exploiting commodity strategies

Fund inception: 18th February 2010

Bank custodian: State Street Custodial Services (Ireland) Limited

Notification period : Orders must be sent before 14:00 (Irish time) 5 days prior to the dealing day

Valuation: Weekly forward pricing and dealing; NAV published at T+1 at 10:00 (Irish time)

Settlement : T+3

Expected currencies available: USD, EUR, GBP, JPY

Base fee:

Share class	Fee	Min. investment**
P	55bp	\$300m
I	70bp	-

Fund type: Qualifying Investor Fund

* Please read the Investment Objective and Investment Strategies as set out in the fund's prospectus before investing in this product

**Across OpenWorld® platform

Why this fund?

An exposure to commodities can provide the opportunity for attractive returns over the long term from the continued demand from rapidly emerging economies like China and India. The asset class also provides the opportunity for diversification to other asset classes, such as equities and bonds.

This fund provides access to a manager that follows a systematic, trend-following strategy which gives investors exposure to individual commodities that possess a positive momentum signal. Theoretical and empirical evidence demonstrates that managers can systematically add value above standard long-only commodity indices by following a momentum strategy due to structural characteristics of the commodity market, such as the existence of market makers where risk control is more important than return generation. In addition, trend-following strategies provide upside participation when commodity prices rise but also limit declines in down markets.

Russell OpenWorld® provides access to a compelling manager not widely available. In addition, investors in the fund benefit from Russell's robust investment and operational due diligence on money managers, and ongoing monitoring and replacement when necessary in order to preserve the value proposition.

Why MLM?



Lee Kayser
Associate PM,
Balanced Funds,
Russell Investments

"MLM's impressive knowledge of the futures market is drawn from the principals of the firm that have an average of over 25 years' industry experience."

- **Top-ranked and experienced specialists.** MLM was one of the initial entrants in the field that brought systematic futures investing to the institutional community. In addition to their active trading of commodities since the late 1980s, we believe that the professionals exhibit a depth of knowledge of the futures market that puts them in the top ranks of specialists in the field.
- **Disciplined exposure to commodities with momentum signals.** MLM's model portfolio construction methodology only makes an allocation to commodities that exhibit a positive price momentum. MLM runs a strict process of selling commodities for cash if its value falls below its average value over the preceding year, i.e. demonstrates a negative momentum signal. This discipline maintains the integrity of the manager's process and provides some capital preservation in falling commodity markets.
- **Efficient model replication.** We believe that MLM is highly efficient at replicating their proprietary model portfolio methodology due to their familiarity with futures markets; their long implementation experience; the liquidity of markets that MLM trades in; and the clear, unambiguous index rules. All these factors allow the manager to replicate the index with minimum tracking error.

Key fund benefits

Return streams linked to commodity price movements providing diversification to other asset classes

Exposure to a signal – momentum – which has demonstrated a systematic risk-adjusted return above standard long-only global commodity indices

Potential to provide significant protection in falling commodity markets

KEY MANAGER FACTS

Money manager: Mount Lucas Management Corporation ('MLM')

Background: MLM was founded in 1986 to provide alternative asset investments to institutional investors and high net worth individuals. MLM is a specialist in providing exposure to several in-house trend-following indices, including long/short/commodities/financial/currency futures as well as variants that are long/neutral.

Key Individuals:



Timothy Rudderow was a co-founder of MLM in 1986 and is the firm's president, overseeing all of its activities. He has been in the investment business for more than 30 years, beginning at Commodities Corporation where he worked on the grain markets and on the design and management of technical trading systems.



Jerry Prior, Portfolio Manager for the MLM Index™ and for custom quantitative derivative products. Before his promotion to portfolio manager, he was responsible for maintaining the firm's investment technology infrastructure. Having joined MLM in 1997, he has 13 years of experience both working on and around the trading desk.



John Oberkofler, Vice President and Director of Trading, has over 25 years' experience. Prior to joining MLM in 1999, he was a Senior Trader at Little Brook Corporation.

Ownership: more than 80% employee owned

Location: Newtown, Pennsylvania (USA)

AUM: \$1.6bn as at 31st Dec 2011

Founded: 1986

Mandate inception: 18th February 2010

CONTACT US

For more information, please contact your usual Russell Investments representative

Philosophy and investment process

An intuitive trend-following mechanism that gives investors long exposure to individual commodities that possess a positive momentum signal.

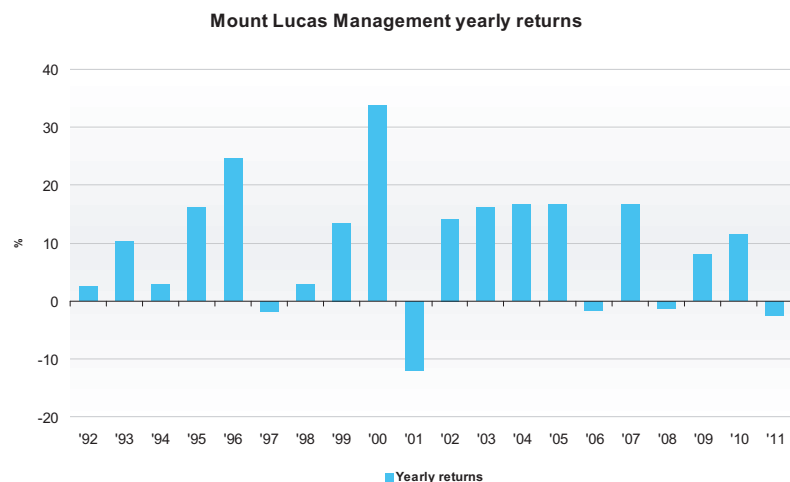
Portfolios are run to replicate the Mount Lucas Long Neutral Commodity Index (L NC Index). The commodities traded in the index are established during the annual index reconstruction and only the most liquid commodities are chosen, each with four delivery dates spanning the year. Index constituents are revised mid-year if necessary, e.g. if a contract is no longer valid.

The index uses 11 equally-weighted commodity futures, is rebalanced frequently (every 21 business days) and uses no leverage. The momentum signal is whether the price of the future is above or below the preceding 252-day moving average. If it is above MLM will initiate or maintain exposure to the commodity, if below they will move to cash.

Portfolio characteristics

Because of the trend-following nature of the index and its construction methodology, this product will provide exposure to the global commodities market without the market extremes. The historical volatility of the L NC Index has been lower than either the DJ-AIG or SPGSCI commodity indices but its returns have shown a high historical correlation with them. Recently, correlations have been significantly lower due to the cash positions, compared to the other two fully-invested indices. In extreme cases the L NC Index may be entirely in cash, such as in the commodity bear market of 1998 and in the latter part of 2008.

Manager performance



Since the creation of the index (1992), the strategy has a high historical correlation with long only DJ UBS Commodity index (0.8) with a beta of approximately 0.5.

As expected, this strategy has outperformed significantly the long only passive approach in commodity bear markets (source: Dow-UBS Commodity Index) : excess return of +11.3% in 1993, +29.8% in 1998 and +7.4% in 2001. While the DJ UBS Commodity Index returned -35.6% in 2008 the strategy returned -1.4% as for the last 4 months of the year the strategy had no exposure to commodities.

The returns displayed in the chart are based on the returns of the index provided by MLM, which is the index that the fund intends to replicate. Returns are in USD gross of fees. (Source: the Manager). Returns after 18th February 2010 are those of the live Fund. Data as of 31st December 2011. DJ UBS Commodity Index was named DJ AIG Commodity Index prior to June 19, 2009. This past performance is for illustrative purposes only and is not necessarily a guide to future performance.

This material does not constitute an offer or invitation to anyone in any jurisdiction to invest in any Russell product or use any Russell services where such offer or invitation is not lawful, or in which the person making such offer or invitation is not qualified to do so; or to anyone to whom it is unlawful to make such offer or invitation, and has not been prepared in connection with any such offer or invitation.

This material is not intended for distribution to retail clients. Unless otherwise specified, Russell is the source of all data. Unless otherwise specified, all information contained in this material is current at the time of issue and to the best of our knowledge all information presented is accurate, however this cannot be guaranteed. As the fund has not been authorised, some of the information may change. You should read the fund's prospectus before investing. 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.

The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. There is no guarantee that any target or projected figures will be met and this information is for illustrative purposes only. Any simulated figures and estimated figures are for illustrative purposes only. Any past performance figures are not necessarily a guide to future performance. Any reference to returns linked to currencies may increase or decrease as a result of currency fluctuations. Any references to tax treatments depend on the circumstances of the individual client and may be subject to change in the future.

Copyright © 2007 - 2011 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.