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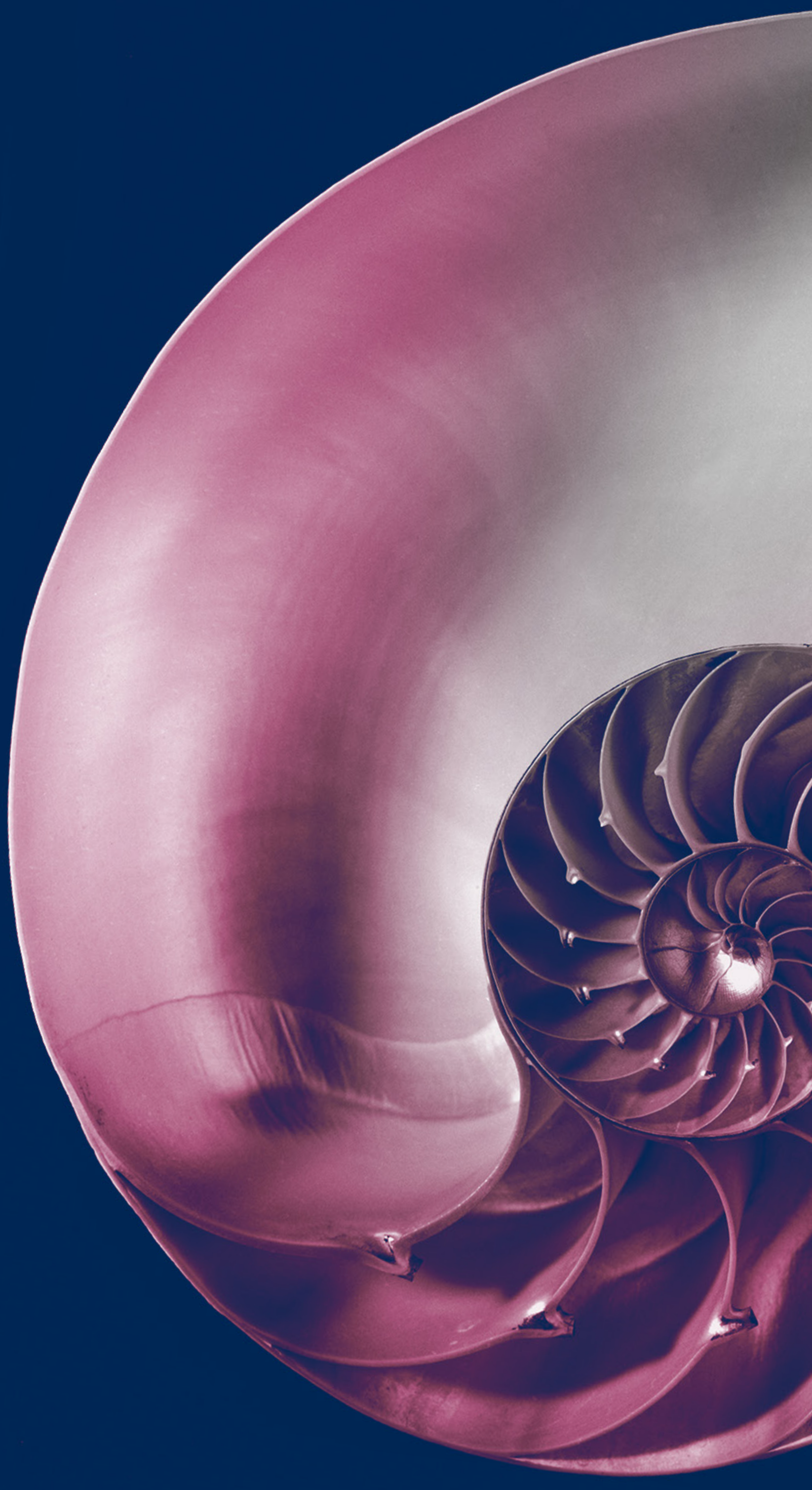


HOW RUSSELL INVESTS

Providing the investor with their required rate of return, while adapting to current opportunities and risks

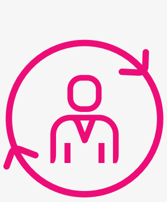
VENTURA FM

INTRODUCING RUSSELL

Ventura Investment Management Ltd (Ventura) has been managing client portfolios in Australia for more than 15 years. Ventura has appointed Russell Investment Management Ltd (Russell) as the specialist investment manager for the Ventura Funds.

Russell has core capabilities extending across capital markets, manager research, portfolio construction, and portfolio implementation; based in the US, Russell is a global asset manager with more than $333bn in assets under management.

Russell Investments



Design

- Establish objectives
- Apply capital market forecast
- Develop strategic asset allocation

Construct

- Incorporate strategic beliefs
- Integrate manager research
- Combine managers & positioning strategies

Manage

- Understand current portfolio exposures
- Evolve dynamic preferred positioning
- Adapt portfolio & implement changes

THE CORE INVESTMENT CHALLENGE

Each investor is unique. But all investors seek to solve core economic problems:

- Individuals invest to fund an attractive retirement lifestyle without outliving their money.
- Defined benefit plans want to reduce the financial impact of pension liabilities by investing to help improve their funded ratio and its stability.
- Non-profits invest to maintain the current purchasing power of their endowments, ideally forever.

Each of these objectives, along with an investor's circumstances – how much money they have now, plus their ability to save – will define the rate of return necessary to realise their desired outcomes.

Investors often need to take on more risk than they want to in order to achieve their required rate of return. They would prefer to focus on lower volatility investments, like bonds or cash, but those strategies usually don't offer enough return to meet their objectives. This creates a fundamental tension between the preferred level of risk and the need for return. This results in 'fight-or-flight' survival instincts switched on in volatile markets. Because investors can't fight the market, they often flee by selling.

This basic human behaviour reinforces the buy-high, sell-low cycle that most investors follow over a market cycle.

So investors need an adequate rate of return. But they need a sustainable level of risk. At Russell, this understanding infuses everything they do. Russell designs, constructs and manages multi-asset investment strategies - all with the goal of generating the investors' required rate of return at a level of risk they can commit to.

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DESIGN – ACCORDING TO YOUR GOALS AND CONSTRAINTS

In the design phase, Russell works with investors to establish clear objectives and fully understand their preferences, constraints and circumstances. They use this shared knowledge to develop an investment roadmap - a strategic asset allocation.

1. Establish objectives

Russell begins by translating the investor's goals - creating enough wealth for retirement, improving a pension plan's funded ratio, or supporting an endowment's spending plan - into a quantifiable investment target - their required rate of return.

Clarifying the hierarchy of investor goals and identifying the highest risk is truly valuable. For example, Russell thinks the risk of not being able to retire is clearly more important to an investor than the risk of taking on potentially higher volatility to meet their goal.

2. Apply capital market forecasts

As an adviser to some of the largest institutional investors in the world, Russell has spent decades refining their understanding of long-term market behaviour, through empirical research and direct observation of the markets.

To determine the optimal mix of investments to meet a performance goal, Russell begin with their cutting-edge research on the expected behaviour of securities, markets, and currencies. They fully integrate these capital markets insights into their state-of-the-art forecasting engine, which generates long-run views on over 170 asset categories. These views are the foundation of every solution Russell creates.

Russell believe they have a proven ability to identify superior investment managers.

The difference between a strategy and a solution is the ability to evolve to meet changing needs and circumstances.

In this stage of the investment process, there are a limited number of powerful risk levers with the greatest impact on return:

- **Equity risk premium** – Russell believes equities will broadly have a substantially higher return than fixed income and cash over an entire market cycle.
- **Carefully managed exposure to illiquid assets,** which will generally result in higher returns than more liquid strategies.
- **Active management** – high quality, active investment management can provide meaningfully higher returns than passive investments. We believe we have a proven ability to identify superior investment managers.

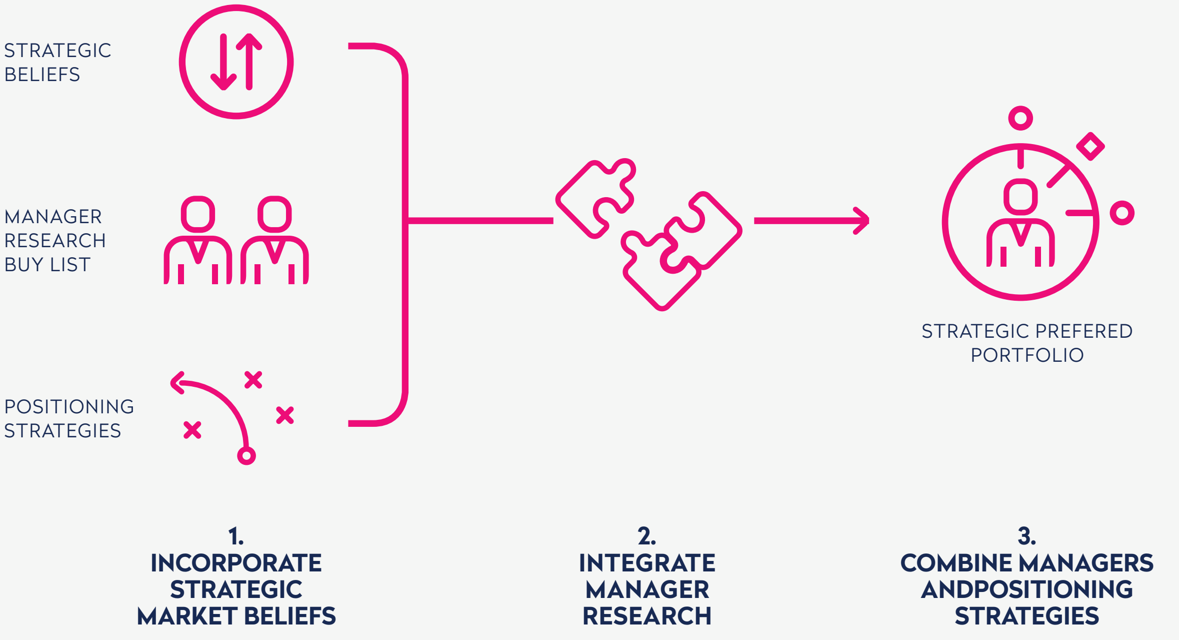
Each of these levers may substantially boost returns, but each carries risks that need to be managed carefully. Russell incorporates these strategic beliefs alongside investor's objectives to serve as guideposts throughout the design process.

3. Develop strategic asset allocation

Russell then builds a targeted investment solution. Their portfolio managers use extensive data to assess the real diversification benefit potential of various asset class combinations. They think diversification across multiple unique sources of returns is the primary risk management tool available to help investors achieve their desired outcome. Russell balances the powerful quantitative tools with the intuition and investment expertise of their portfolio managers.

The difference between a strategy and a solution is the ability to evolve to meet changing needs and circumstances. Ultimately, Russell wants to create a strategic asset allocation that has a high probability of delivering the investor's required rate of return, but just as importantly, does so with a level of risk they can commit to over the market's ups and downs.

Russell has been providing multi-period client solutions for over three decades and has the insights, global resources and industry vote of confidence to continue to do so.



CONSTRUCT – ACCORDING TO STRATEGIC BELIEFS

Once Russell creates a strategic asset allocation, the next step is to construct an investable portfolio in line with that plan, by identifying the specific investment strategies that will be used in the portfolio. Russell populates each part of the portfolio with what they think are the most potent sources of return available, including strategic positions that can pay off in the long run and active strategies from the best managers they can find.

1. Incorporate strategic market beliefs

Within asset classes, they believe there are certain exposures/factors – that over the course of entire market cycle may offer higher returns than the broad market. For example:

- Russell expect credit to outperform treasuries over the course of an entire market cycle, so their portfolios, on average, tend to overweight credit.
- They expect stocks that recently exhibited strong price momentum to outperform the broad market over an entire market cycle. So Russell's funds, on average, overweight high-momentum stocks.

Russell's insights come from decades of capital market research and investment experience, which has led them to favour a variety of positions across asset classes.

In equities, Russell explored the impact of and potential excess returns from portfolio tilts since the 1980s, creating style and cap benchmarks that were the first of their kind.

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Not every strategy is available externally. And active managers can't mitigate every risk. To ensure the portfolio reflects their best thinking at all times, Russell uses positioning strategies to precisely manage the portfolio's exposure.

2. Integrate manager research

Russell's research also demonstrates that there are talented asset managers who can outperform benchmarks, after fees, in almost all active investment universes. Their disciplined approach to manager research can help identify them. This select group of managers can add value through security selection or unique top-down views, but no single investment manager can be an expert in every area of the market.

In their search for these superior managers, Russell employs an open-architecture approach. They look for the best-of-breed investment manager strategies from around the globe, regardless of who is providing them, giving access to a truly unconstrained breadth of managers.

Russell has a deep research team with over 60 analysts focused on finding the most promising investment manager strategies. For more than four decades they have researched top managers and understand what can give them an edge over the market. Russell's analysts use this knowledge to select a few from a broad set of candidates. Their portfolio managers then select the best of these investment manager strategies and balance the portfolio across these diverse strengths and risks.

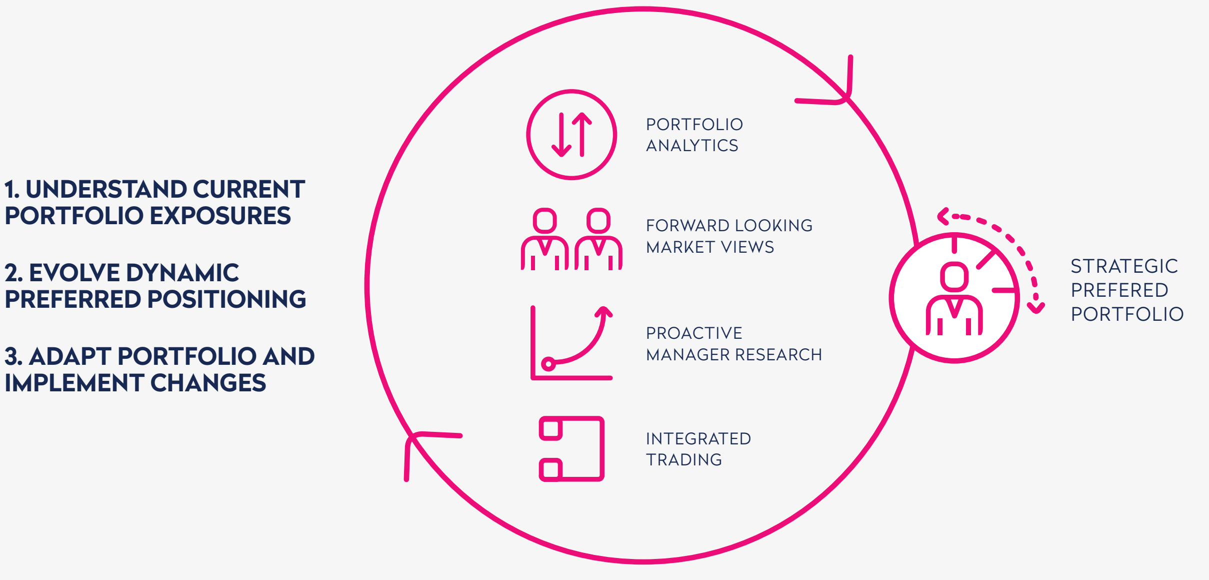
3. Combine managers and positioning strategies

Russell is a market leader in manager research and selection. Most competitors with manager research capabilities might stop here, but Russell believe that just selecting good managers is not enough.

Bringing together superior active investment managers and precisely aligning exposures with their strategic preferred positioning is a top priority for Russell. The problem is, not every strategy is available externally. And active managers can't mitigate every risk. To ensure portfolios reflect Russell's best thinking at all times, they use positioning strategies to precisely manage exposures.

Positioning strategies are customised exposures directly-managed by Russell for use within the total portfolio. Used in conjunction with third-party active managers, positioning strategies allow their portfolio managers to seek excess return and manage portfolio risk to fully reflect Russell's strategic and dynamic insights with integrated liquidity and risk management. Tools used to implement positioning strategies include a broad set of direct investment capabilities such as overlays, index replication, smart beta strategies, and custom quantitative strategies.

Recently, these positioning capabilities have become even more critical as volatile markets and the challenges of a low-return environment have reinforced a strong focus on tight total portfolio management and accountability for portfolio outcomes.



MANAGE – ADAPT RESPONSIBLY AND DYNAMICALLY

The manage phase of Russell's process is about ongoing dynamic portfolio management. Markets change, and investor circumstances change. So Russell responsibly adapt their processes.

1. Understand current portfolio exposures

Where is the portfolio positioned today? While this seems like a simple question, the amount of data and systems involved in managing multi-asset portfolios is daunting for most investors.

The key to transparency is access - to the daily holdings, exposures and risks. Russell recognise that multi-asset strategies are complex and interrelated. For example, international managers have US holdings, and US equity managers hold cash positions. Russell's use of daily holdings and analytics gives them the transparency to make quick, confident decisions on actual positioning and risk.

Their research analysts and portfolio managers have access to valuable industry tools like FactSet, Axioma, RiskMetrics, Bloomberg and Wilshire. However, the marketplace does not offer ready-made tools for multi-asset portfolios. This has led Russell to build proprietary tools that allow their portfolio managers to analyse underlying strategies to determine the optimal balance of risks and the best opportunities at any point in time.

Markets change, managers change, and investor circumstances change.

2. Evolve dynamic preferred positioning

Markets shift daily. Russell's portfolio managers are supported by their investment strategy team in forming forward-looking views on what they see as the most promising short-run return opportunities. The balance of quantitative and qualitative methods in this forecasting process is critical to their success here.

On the quantitative side, Russell's investment strategy team utilises over 400 proprietary models to forecast short-run returns of markets, asset classes, and factors.

Russell's forward-looking qualitative framework assesses current market conditions using their understanding of valuations, the business cycle, and sentiment.

There are multiple ways Russell's investment strategists influence portfolio management teams and portfolio positioning. These include formal and comprehensive asset class strategy forums, investment outlook meetings and, of course, informal, real-time conversations between the strategists and portfolio managers.

Managers can also change. Russell's proactive manager research helps ensure that portfolios include the best available managers and strategies in the marketplace. Through intensive analytics and frequent contact, Russell's research analysts and portfolio managers closely track the effectiveness of every active strategy they use.

The integration of views from external managers, internal research analysts, and other resources helps portfolio managers adapt their tactical preferred positioning and pursue current market opportunities, while seeking to manage any resulting risks.

3. Adapt the portfolio and implement changes

While it's great to have views, only implemented positions may lead to better portfolio outcomes. Proper tools to move the portfolio in line with the portfolio manager's views are essential for success. In the traditional model, the portfolio manager used manager changes and manager weight changes as the primary mechanisms to alter the portfolio. But precision matters. The market made that clear in the last several years, as even small, unintended exposures have produced significant and unpredictable impacts.

How Russell makes these changes is critical. Their implementation portfolio managers are embedded within Russell's portfolio management teams to facilitate and leverage their extensive direct investing and trading capabilities. The sheer breadth and depth of their integrated implementation function makes it possible for the portfolio manager to supplement or adjust their existing allocations quickly and precisely.

As a result of Russell's dynamic management process, they provide investors with a stable, strategic core that can dynamically respond to changing market conditions and circumstances.

Russell is a market leader in trading, transition management, currency management, smart beta strategies and exposure management strategies, as evidenced by multiple industry awards and the size and competitiveness of their Implementation Services business.

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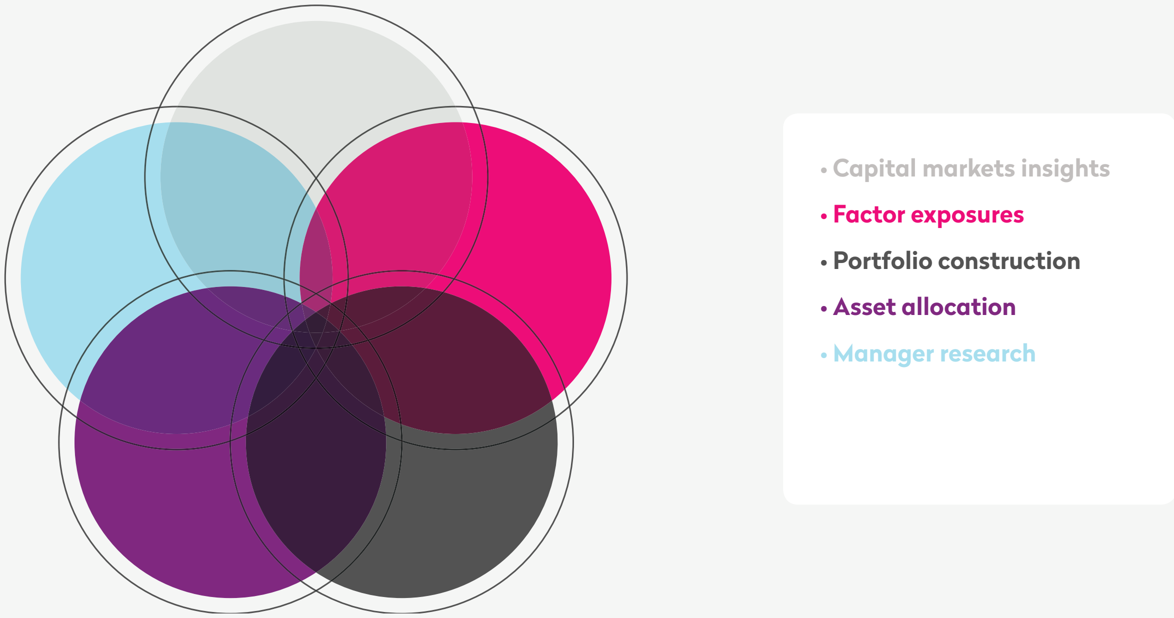

A CLEAR MISSION

What is the impact of Russell's design/construct/manage process? For benchmark or peer sensitive portfolios, they expect the design phase – which delivers the crucial strategic asset allocation – to drive the majority of the investor's total return.

Russell strives to create additional return potential in the construct phase, through strategic preferred positioning and the manager selection process. They continue with dynamic portfolio management described in the manage section. For clients that are absolute return and risk focused, manager selection, strategic preferred positioning and dynamic portfolio management drive more of the total return.

Russell is a global multi-asset investment manager that leverages its areas of expertise to provide clients with total portfolio solutions. Russell's core capabilities – capital market insights, manager research, asset allocation, portfolio implementation and factor exposures – are all valuable individually; but their real power comes from their interconnectivity.

Russell's mission stands clear: improving financial security for people. They aim do this by providing investors with their required rate of return, while adapting to current opportunities and risks. The intended result is a greatly improved likelihood that investors will achieve their desired outcomes.

For further information on Ventura Funds, please contact your VenturaFM representative or contact us on 1300 738 421 or go to **www.venturaFM.com.au**

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