

US Equity Fund

Performance Review

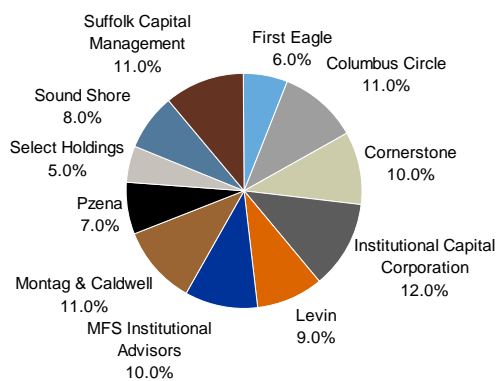
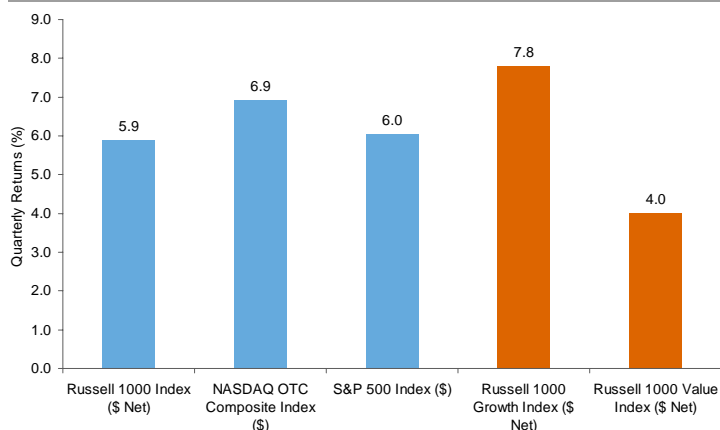
	One Month %	Three Months %	Year to Date %	One Year % ¹	Three Years %	Five Years %	Ten Years %	Since Inception % ²
US Equity Fund (USD) Gross of fees	2.1	5.6	32.2	32.2	-4.6	1.1	-1.4	2.0
Russell 1000 Index (USD) ³	2.4	5.9	27.5	27.5	-6.0	0.2	-1.0	2.5
US Equity Fund (RAND) Gross of fees	1.1	2.7	5.3	5.3	-3.2	6.7	0.4	5.5
Russell 1000 Index (RAND) ³	1.4	2.9	1.6	1.6	-4.6	5.7	0.8	6.1

¹ Returns greater than one year are annualised.

² Inception date 02/01/98. Performance is measured from 01/02/98. In order to enable accurate peer relative and total return benchmark relative performance comparisons, performance is calculated from the first full month following inception.

³ Net of non-resident withholding tax.

Fund Highlights and Portfolio Management Activity



As at 31/12/2009

- US equity markets advanced in the fourth quarter of 2009, with the Russell 1000 Index posting a 5.9% return driven by fresh signs of stability in the US economy. The Index gained 18.7% over the year, following a prolonged rally based on expectations that the recovery will spur capital spending and increase demand for energy, metals and other natural resources. Investors' preference for larger cap companies with more defensive traits - offering more sustainability and consistency around revenue and earnings growth - drove gains over the quarter in a market in which retail sales, auto manufacturing and sales growth all improved. This has largely been driven by unprecedented global government stimulus spending, historically low interest rates, and stabilizing financial systems. The broad market advanced as a record percentage of US companies reported profits that beat expectations as the financial climate recovered. Manufacturing output in China rose at its fastest pace in five years, elevating earnings prospects for US exporters.
- At the sector level, investors began turning away from the more deeply cyclical, higher-risk stocks that had driven returns in the previous quarters. The more internationally-focused materials and processing and producer durables sectors strengthened as manufacturing rallied after global trade resumed and output increased as companies replenished depleted stockpiles. Technology companies advanced on expectations that businesses will increase IT expenditure, following a period of restraint, due to equipment and software upgrade needs. Companies are also looking towards technology to generate process and efficiency improvements, which can in turn lower expenses and drive profit margin and earnings growth. Health care and consumer discretionary companies also strengthened as investor sentiment improved, driven by changes in the rhetoric regarding health care reform coming out of Congress and upbeat retail sales data.
- The Fund underperformed modestly over the period as an overweight to, and stock allocation within, financial services weighed on returns. Key detractors included investment banks Goldman Sachs Group and Morgan Stanley as the financial sector weakened. The Fund's holdings within the technology sector also detracted as an underweight to larger technology companies - that typically offer more sustainable and consistent revenue and earnings growth - proved detrimental. Conversely, the exposure to the producer durables sector added value, with orders for U.S. durable goods rising 0.5%, suggesting increases in spending and production. From the manager perspective, the rotation into more defensive securities that have a consistent growth focus proved beneficial over the quarter. Growth manager Cornerstone rallied against its peers, driven by strong stock selection within technologies and consumer-related sectors.

Quarterly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Columbus Circle	Growth	Flat	Columbus Circle, a growth manager, finished modestly ahead of the Fund's benchmark in favourable conditions for growth investing but it fell short of its own benchmark for the quarter due to a combination of sector allocation and stock selection decisions. At the sector level, being significantly overweight financial services sector and underweight technology detracted. Stock selection within the consumer discretionary sector was additive, particularly due to automobile and leisure time stocks. However, selection in the energy (crude oil producers), technology (communications and computer stocks) and consumer staples sectors detracted.
Cornerstone	Growth	++	Cornerstone, another growth manager, also outperformed the Fund's benchmark and finished as the best-performing manager in relative terms. Outperformance was driven by its strong stock selection within technology - the best-performing sector - and consumer-related sectors. In the former, the manager's holdings in computer services, software & systems groups, including Google, Adobe and Brocade Communications proved particularly beneficial. Gains within consumer-related sectors were led by entertainment group Walt Disney after its shares hit a 52-week high on stronger-than-expected earnings results and praise for its "excellent governance" and "well-positioned international businesses".
First Eagle	Market - Oriented	++	Market-oriented manager, First Eagle (formerly ASB), outpaced the Russell 1000 Index for the quarter, driven by stock selection decisions. The largest contributor was selection in the materials & processing sector where the manager had overweight positions in copper and gold stocks that performed well in what was a more defensive environment. The manager's consumer discretionary holdings also added value, particularly in automobile stocks and broadcasters. Exposure to data processing companies within financial services was beneficial as that industry performed well despite weakness elsewhere in the sector. First Eagle's overweight to high beta stocks and underweight to the highest dividend-yielding stocks was detrimental to returns, as was its sector positioning, with an overweight to financial services and an underweight to health care detracting.
Institutional Capital Corporation	Value	--	ICAP, a value manager, underperformed the Fund's benchmark as value investing trailed growth, but it delivered returns in excess of the Russell 1000 Value Index for the quarter due to its advantageous sector allocations. ICAP had a significant underweight to the financial services sector, which struggled over the quarter. An overweight to health care was also beneficial, as that was the top-performing sector in the Value Index. The manager was helped by strong selection in the producer durables (railroads and machinery stocks) and technology sectors (semi-conductors and electronics). However, this was negated by its consumer staples holdings (particularly drug stores).
Levin	Market - oriented with value bias	+	Levin kept its strong YTD outperformance intact as it actively traded individual stocks in an effort to keep the portfolio fresh. The manager's rotation out of some high beta names was beneficial, as was being overweight stocks with higher historical earnings growth. This, combined with an overweight to the lowest P/E names, helped drive performance. At the sector level, Levin's underweight to technology and overweight to consumer staples detracted, while Levin rotated out of the financials sector over the quarter, and the subsequent underweight to financials proved beneficial. Stock selection was strongest in consumer staples, overcoming the negative impact of the overweight.
MFS Institutional Advisors	Value	--	Value manager MFS underperformed the Fund's benchmark in what were unfavourable investment conditions for its investment style. It did however outperform its own value benchmark, driven largely by successful stock selection within energy (notably integrated international oil groups like Total), producer durables (multi-sector names like Accenture) and computer services, software and systems companies within technology (including Oracle). Underweighting some of the larger financial services companies including Citigroup and Bank of America also added value.
Montag & Caldwell	Growth	++	Growth manager Montag contributed positively to the Fund's returns as the lower risk, higher quality focus of its portfolio proved beneficial in what were favourable market conditions. Outperformance was driven primarily by its stock selection within the autos & transport and financial services sectors. In the latter, the processing services segment of the market - one of the manager's biggest industry overweights - held up particularly well, with an overweight to Visa proving particularly beneficial.

Quarterly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Pzena	Deep value, long-term view	- -	Deep value manager Pzena underperformed in very challenging market conditions for its investment style. Stock selection was a key driver of negative relative returns, notably within financial services (where holdings in larger names like Citigroup, Morgan Stanley and Fidelity detracted) and in technology, where computer technology groups like Dell struggled. Sector positioning also detracted, particularly an overweight to the weakening financial services sector.
Select Holdings	"Best" Ideas	+	Select Holdings outperformed in the quarter. It benefited from stock selection in the consumer discretionary and producer durables sectors in particular. In the former, internet retailer Amazon led the gains, driven by the strength of its holiday sales and market share gains. Exposures to more internationally focused producer durables stocks, such as United Technologies, also proved beneficial. Gains were pared back by the strategy's holdings within the consumer staples sector, where drug store chain CVS Caremark was a key detractor.
Sound Shore	Value	-	Value manager Sound Shore trailed the Fund's (and its own) benchmark. The manager's stock selection decisions weighed on returns and more than offset its successful sector positioning. Health care holdings detracted significantly, notably within biotechnology research & production, where shares in Genzyme slumped after a contamination scare surrounding its treatments for rare genetic disorders. The manager also held several of the larger banking names including Citigroup and Credit Suisse, which proved detrimental as the sector weakened and investors took profits. Sound Shore's selection within the consumer discretionary sector also had a negative impact - notably the zero exposure to Walt Disney.
Suffolk Capital Management	Market - oriented	-	Suffolk's underperformance was due in part to an underweight to firms paying out higher dividends as these companies were favoured by investors over the fourth quarter. An overweight to technology (semiconductors in particular) was beneficial, but was offset by the negative impact of an overweight to financials (banks and insurance in particular) as investors took profits after the sector's strong rebound during the rally. Stock selection in the computer industry detracted.

Sector Analysis

Sector Exposure	Sector Weights %		Quarterly Sector Returns
	Fund	Benchmark	
Consumer Discretionary	14.7	12.2	7.9
Consumer Staples	8.3	9.2	4.5
Energy	10.7	11.4	5.5
Financial Services	17.6	15.4	-1.6
Financials	0.3	0.0	
Health Care	11.9	12.5	8.5
Materials and Processing	4.5	4.3	7.5
Producer Durables	9.9	10.6	6.0
Technology	18.9	17.8	11.0
Utilities	3.2	6.7	6.9

Top Ten Holdings

Company Name	Country	Sector	Fund %	Benchmark %
Apple, Inc.	United States	Technology	2.2	1.7
Hewlett-Packard Co.	United States	Technology	2.2	1.1
JPMorgan Chase & Co.	United States	Financial Services	2.1	1.4
Pfizer, Inc.	United States	Health Care	1.9	1.3
Wells Fargo & Co.	United States	Financial Services	1.8	1.2
Google, Inc.	United States	Technology	1.8	1.3
PepsiCo, Inc.	United States	Consumer Staples	1.6	0.9
QUALCOMM, Inc.	United States	Technology	1.6	0.7
Wal-Mart Stores, Inc.	United States	Consumer Discretionary	1.5	1.1
Goldman Sachs Group, Inc.	United States	Financial Services	1.5	0.8

Portfolio Profile Characteristics

Profile Characteristics	Fund	Benchmark
Sector Deviation	5.59	0.00
Market Cap Weighted Nlog	0.13	0.00
Valuation Characteristics:		
Price/Earnings (excl negative earnings)	18.50	17.88
Dividend Yield (%)	1.60	1.90
Price/Book	2.17	2.16
EPS Growth (1 Year Forecast)	5.76	2.57

	One Year		Three Years		Five Years	
	Fund	Average Manager	Fund	Average Manager	Fund	Average Manager
Tracking Error	2.5	7.8	3.0	7.6	2.4	6.8

* Manager Attribution Key	Relative Performance vs Fund Benchmark	Manager	Manager's Benchmark
		Columbus Circle	Russell 1000 Index
++	>1.0%	Cornerstone	Russell 1000 Growth Index
+	0.3% to 1.0%	First Eagle	Russell 1000 Growth Index
Flat	-0.3% to 0.3%	Institutional Capital Corporation	Russell 1000 Value Index
-	-1.0% to -0.3%	Levin	Russell 1000 Value Index
--	<-1.0%	MFS Institutional Advisors	Russell 1000 Value Index
		Montag & Caldwell	Russell 1000 Growth Index
		Pzena	Russell 1000 Index
		Select Holdings	Russell 1000 Index
		Sound Shore	Russell 1000 Value Index
		Suffolk Capital Management	Russell 1000 Index

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