

# Emerging Markets Equity Fund

## Performance Review

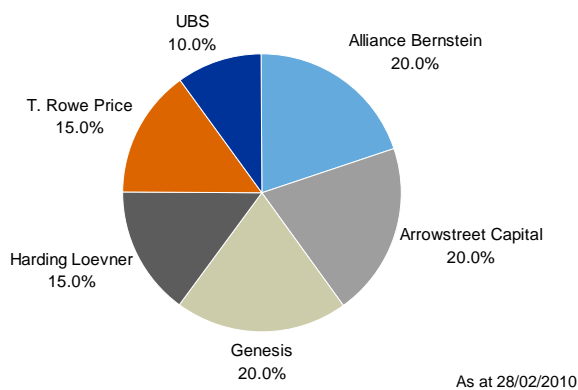
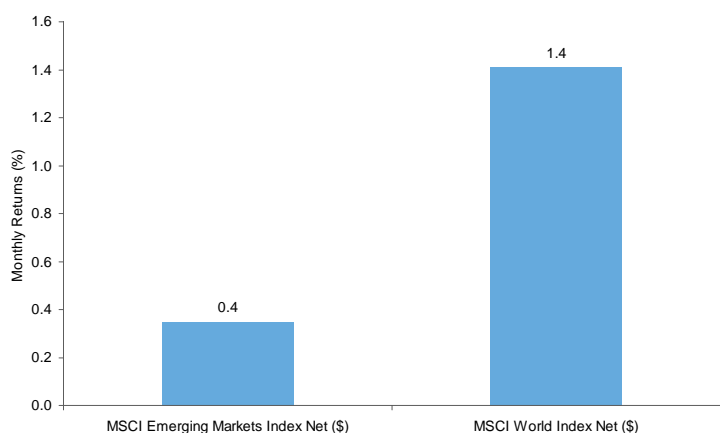
	One Month %	Three Months %	Year to Date %	One Year % <sup>1</sup>	Three Years	Five Years %	Ten Years %	Since Inception % <sup>2</sup>
Emerging Markets Equity Fund (USD) Gross of fees	-0.2	-1.0	-5.7	103.4	5.0	13.2	11.0	8.9
Fund Benchmark <sup>3</sup> (USD)	0.4	-1.5	-5.3	91.6	4.0	12.6	10.1	8.1
Emerging Markets Equity Fund (RAND) Gross of fees	1.4	2.2	-1.9	55.2	6.9	19.8	13.1	14.6
Fund Benchmark (RAND)	1.9	1.6	-1.4	46.2	5.8	19.1	12.2	13.8

<sup>1</sup> Returns greater than one year are annualised.

<sup>2</sup> Inception date 20/12/94. Performance is measured from 01/01/95. In order to enable accurate peer relative and total return benchmark relative performance comparisons, performance is calculated from the first full month following inception.

<sup>3</sup> Composite of MSCI EMF, IFCI and ING BEMI. The Benchmark prior to 04/1999 was ING Barings Extended Emerging Markets Index, for the period 04/1999 to 02/2003 was IFC Investable Index, and since then it has been the MSCI Emerging Markets Index. **Prior to 1st January 2009, benchmark was gross of withholding tax, total return. Benchmark currently net of withholding tax**

## Fund Highlights and Portfolio Management Activity



- The MSCI Emerging Markets Index finished very modestly ahead in February, gaining 0.4%, as uncertainty grew over the sustainability of economic recovery and valuations that (by some measures) were in line with developed markets. Fresh fears over sovereign debt default among smaller European economies helped reinforce suggestions that national debt burdens were reaching intolerable levels and eroded demand for riskier assets. Meanwhile China - one of the world's economic bright spots - was forced to increase its banking reserve requirements to stave off a property bubble and curb excess loan growth. However, improving economic conditions in the US (despite weakening consumer confidence) and India helped to support sentiment. Most Latin American markets strengthened as the US reported stronger-than-expected fourth-quarter GDP results, which prompted speculation of higher demand for metals and energy. Concerns that the US Federal Reserve (Fed) would shortly withdraw stimulus measures were also allayed by a statement late in the month by Fed Chairman Bernanke which confirmed that weak employment and low inflation would allow the central bank to suppress interest rates "for an extended period". Brazilian, Colombian and Mexican stocks were all key beneficiaries of the renewed strength in the US. Mexico continued its emergence from recession, while in Colombia, the peso climbed to its highest level in almost four months after the IMF said the country's economy may expand by as much as 2.5% this year.
- Indian stocks advanced after investors reacted positively to a budget indicating limited the impact on private credit growth as the government looked to reduce its budget deficit by raising taxes and by selling off some of its assets rather than by raising interest rates. In China, the government's confirmation that it would extend its support for the country's industries amid weak global demand proved beneficial. In contrast, Indonesian, Russian and Turkish stocks - which typically do well when risk appetites are high - all declined as investors grew more cautious. In Russia, stocks retreated on speculation that rising interest rates in China and widening budget deficits in Europe would dampen demand for raw materials. Meanwhile Turkey became embroiled in political uncertainty. At the sector level, performance was mixed. Health care and materials outperformed, but the information technology sector declined. News that US consumer confidence had unexpectedly weakened weighed heavily on the latter sector, and by extension the technology dominated Taiwanese market.
- The Fund underperformed during February with country positioning the main contributor to negative excess returns. A reversal in Turkey's performance - the Fund's largest country overweight position - was a key detractor, as tensions between the government and the military escalated following the arrest of senior military officers on charges of conspiracy. The underweight to Brazil which had previously been beneficial, also weighed on returns.

## Monthly Manager Performance

Manager	Approach / Process	*Manager Performance	Russell Analysis
Alliance Bernstein	Value	-	Alliance Bernstein finished behind the Index, driven largely by negative country allocation effects as Turkey - its key overweight position - saw a sharp reversal in performance during February. A sizeable underweight to Brazil also proved detrimental as did ineffective stock selection in Korea, where a holding in the world's second-largest maker of computer-memory chips - Hynix Semiconductor - declined after creditors failed to sell their controlling stake in the company.
Arrowstreet Capital	Market - Oriented Quant	--	Arrowstreet struggled during February. The manager was penalised for its notable overweight to Turkey and from a sector perspective, its overweight to technology. Stock selection in Brazil was also a detractor, as its preferred holdings - within the utilities sector - lagged materials, which were among the strongest performers within that market.
Genesis	Market - Oriented Bottom Up	-	Genesis underperformed over the month. This was largely attributable to the significant and persistent underweight to Brazil which worked against it in February. Moreover, a key holding in miner Anglo American declined following a correction in South African export coal prices.
Harding Loevner	Market - Oriented	+	Harding Loevner was rewarded for its overweight to consumer staples. Also contributing to excess returns at a stock level were holdings in Wal-Mart de Mexico and Grupo Financiero Banorte, both in Mexico, which also held up well during February. The overweight to Turkey pared back the manager's gains.
T. Rowe Price	Growth	+	T. Rowe Price outperformed, driven by its successful stock selection within the energy and financials sectors, while it was also rewarded for having an underweight position to Taiwan. The exposure to consumer sectors also paid off as holdings such as Wal-Mart de Mexico and Brazil's Lojas Renner were amongst the stronger performing stocks in Latin America.
UBS	Growth	+	UBS was the best-performing manager in February, benefiting from strong stock selection within technology - its key overweight at the sector level. The overweight to and positive stock selection within Brazil also added value as holdings in mining stocks including MMX Mineracao e Metalicos S.A and Cia Vale do Rio Doce benefited from speculation that the renewed strength of the US economy would boost demand for metals.

* Manager Attribution Key	Relative Performance vs Fund Benchmark
++	>1.5%
+	0.25% to 1.5%
Flat	-0.25% to 0.25%
-	-1.5% to -0.25%
--	<-1.5%

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. 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 © 2009 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.  
 All performance data is sourced from Russell Investments, Confluence, Bloomberg and FactSet. Data as at 17/3/10. Past performance is not necessarily a guide to future performance.