



PRIVATE MARKETS

POWERING YOUR INVESTMENT PROGRAM FROM
STRATEGY TO IMPLEMENTATION AND OVERSIGHT

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Client Portfolio Manager – Alternative Investments Management

EMBRACE
THE POSS/BLE®

The private markets opportunity

Significant growth and investment

A light gray world map serves as the background for the central data points. The map shows the continents of North America, South America, Europe, Africa, Asia, and Australia.

659%

Growth in the number
of funds over the last
20 years¹

\$9.8T

Private Markets AUM
H1 2021²

\$15T

Commitments to
Private Markets over
the last 50 years³

¹. Hamilton Lane, Cobalt November 2020. ². McKinsey & Company, McKinsey Global Private Markets Review 2022. ³. Hamilton Lane, Cobalt 2022. All figures presented in USD

Critical to diversify **across** asset type and vintage

Private markets asset class relative performance varies over time

Private market strategies' pooled IRR comparisons by vintage year*

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	10-year horizon IRR
	11.7%	13.6%	19.3%	19.5%	21.3%	21.4%	22.1%	25.5%	26.9%	36.9%	40.4%	47.8%	66.8%	87.4%	17.9%
	11.5%	13.5%	14.1%	17.7%	17.0%	18.4%	17.5%	21.7%	23.9%	31.3%	37.0%	33.9%	62.4%	68.5%	16.2%
	9.7%	13.0%	13.4%	16.1%	16.4%	16.6%	17.4%	21.7%	21.6%	24.0%	31.6%	32.7%	48.4%	65.3%	15.5%
	9.6%	11.3%	13.1%	13.6%	15.2%	14.0%	16.4%	20.9%	20.9%	22.9%	29.6%	32.6%	40.8%	64.5%	12.8%
	6.0%	6.5%	11.4%	13.1%	14.8%	13.1%	12.5%	15.3%	17.0%	22.1%	21.6%	32.2%	38.2%	42.1%	12.7%
	5.8%	5.9%	9.5%	12.8%	12.1%	13.1%	11.5%	10.6%	12.2%	13.8%	13.3%	15.6%	32.1%	26.4%	11.2%
	5.7%	5.8%	8.7%	8.5%	8.0%	12.1%	10.8%	10.2%	9.2%	12.7%	11.5%	11.6%	19.1%	20.0%	9.5%
	3.7%	4.3%	3.4%	7.9%	6.0%	6.5%	6.7%	8.1%	7.6%	12.1%	10.1%	9.0%	13.2%	12.1%	8.9%
	2.9%	-4.4%	3.1%	-7.9%	1.5%	-0.8%	3.8%	6.4%	5.3%	7.2%	7.9%	7.9%	7.6%	1.0%	1.9%
Range	8.8%	18%	16.2%	27.4%	19.8%	22.2%	18.3%	19.1%	21.6%	29.7%	32.5%	39.9%	59.2%	86.4%	16%

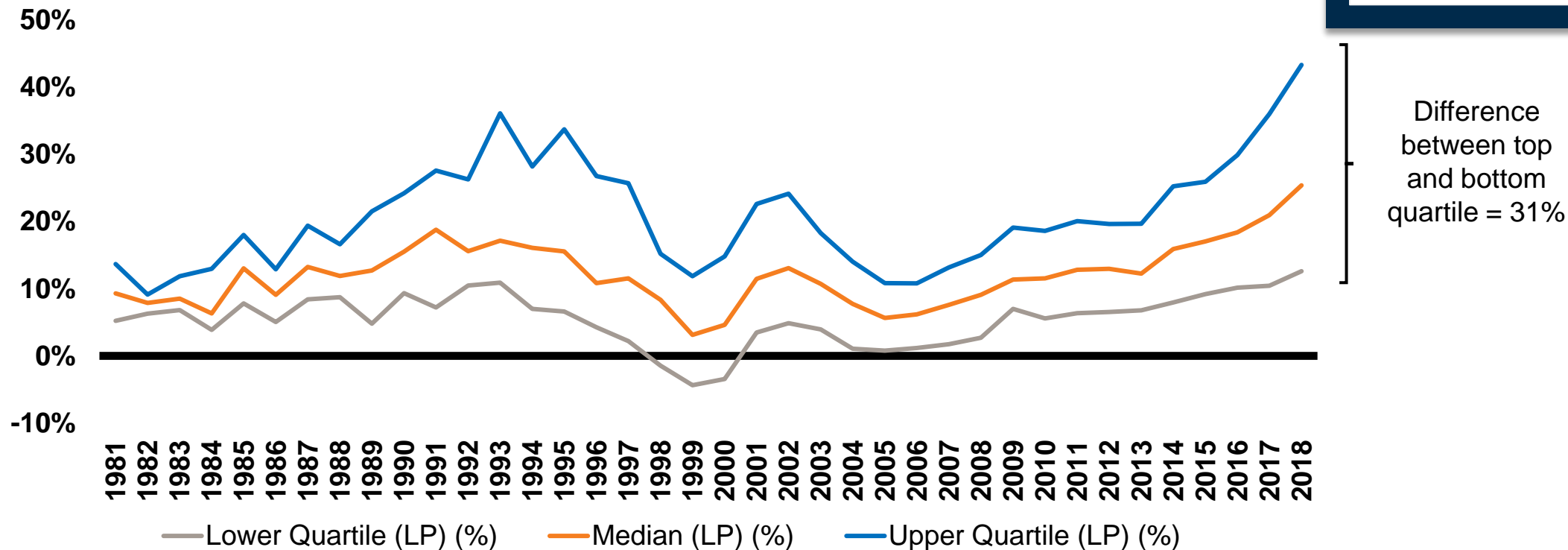
Buyout
Funds of funds
Growth-expansion
Infrastructure
Oil & gas
Private debt
Real estate
Secondaries
Venture capital

Source: Pitchbook, Russell Investments. As of June 30, 2021. For illustrative purposes only. The returns shown above correspond to alternative investment products managed by third-party managers. They do not represent the actual investments of the Fund, Russell Investments or any of its other clients. Past performance does not predict future returns.

...and critical to diversify *within* asset class and vintage

High dispersion of performance by fund, especially late cycle

IRR by Vintage



Source: Cambridge Associates All Private Equity, Venture Capital, Growth Equity and Buyouts, Mezzanine and Distressed, years from 1981 – 2019. Returns shown net of fund fees and expenses. Returns shown through 2018 because in the early life of a fund, IRR may not be meaningful as the fund is still in the investment period and therefore IRR does not truly reflect performance of the fund. Returns for more recent fund vintages may be lower than the returns shown above and IRRs are more likely to be negative. For illustrative purposes only. The returns shown above correspond to alternative investment products managed by third-party managers. They do not represent the actual investments of the Fund, Russell Investments or any of its other clients. Past performance does not predict future returns.

Private markets

Key investment themes

Private Equity



- Leverage specialist managers with clear areas of domain expertise
- Onshoring of supply chains
- Secondary investments provide optionality in an uncertain economic environment

Private Credit



- A focus on sponsor-backed loans
- Experienced management teams that have invested through multiple business and credit cycles
- Demonstrated ability to avoid losses with low default rates and loss rates

Private Infrastructure



- Infrastructure is at the centre in the move toward decarbonization
- Secular rise in demand for data
- Transportation infrastructure supported by population growth and urbanization

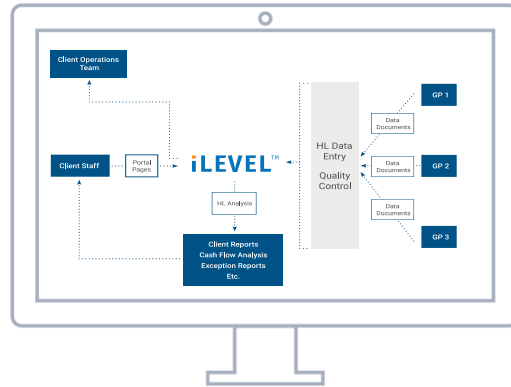
Private Real Estate



- Access to the 21st century real estate ecosystem
- Secular growth trends associated with sectors such as industrial, student housing, and single family rentals
- Inflation protection

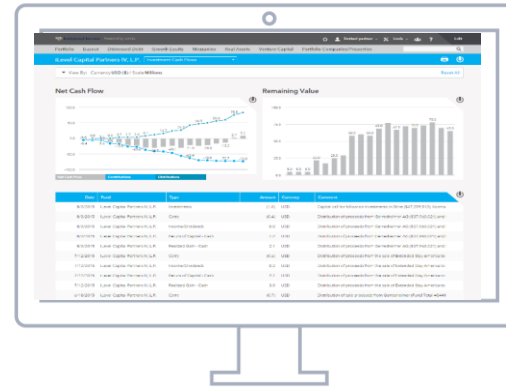
Private markets: Operational burden and complexity

Collect, store, analyze and report



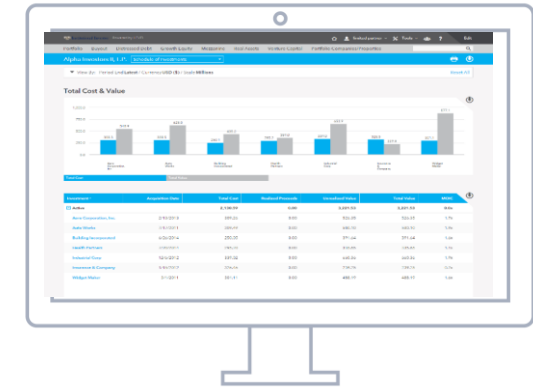
Data Collection

Data collection for fund performance and individual portfolio companies



Cash Management

IRR calculations
Capital call & distribution review and support



Performance Reporting

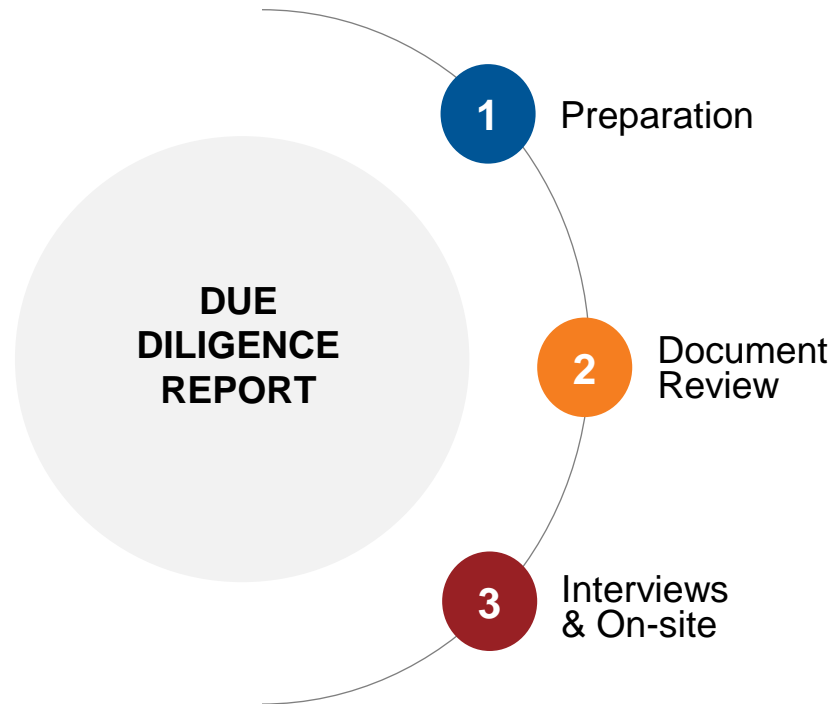
Quantitative and qualitative performance analysis
Portfolio diversification
Benchmarking

Private markets are complex

Investment structures – *Accounting for your specific circumstances*



Operational due diligence



DDQ – Due Diligence Questionnaire
P&Ps – Policies and Procedures

Source: Russell Investments. For illustrative purposes only.

OPERATIONAL DUE DILIGENCE PROCESS:

1 Preparation	Internal	<ul style="list-style-type: none"> Coordination with investment research Initial documentation inventory
	External	<ul style="list-style-type: none"> Meeting scheduling Additional documentation request
2 Document Review	ODD Team	<ul style="list-style-type: none"> Offering documents Marketing materials DDQs/ P&Ps/ Audited financials
	Compliance Review	<ul style="list-style-type: none"> Code of ethics Compliance manual Registration with regulatory authorities
	Legal Review	<ul style="list-style-type: none"> Constitutive documents Side letters
3 Interviews & On-site	Direct Review	<ul style="list-style-type: none"> Walkthrough of trade process Review of pricing/ Cash controls Verification of stated process controls
	Manager Reputation Review	<ul style="list-style-type: none"> Background checks Reference checks
	3rd Party Service Providers	<ul style="list-style-type: none"> AUM verification Confirmation of services provided

Key pillars of governance and oversight

Providing detailed risk analysis of your portfolio



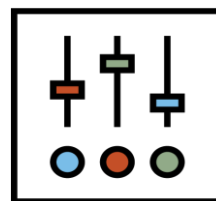
PORTFOLIO PLANNING

Access to cash flow
projection model and
scenario testing
analytics



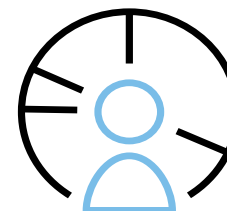
ANALYTICS AND RISK AT TOTAL PORTFOLIO LEVEL

See risks and
exposures at the total
portfolio level



INTEGRATE CUSTOM PREFERENCES

Incorporate client
preferences, such as
sector, geographical,
risk profile or
transaction type
exposures



OWNING TOTAL PORTFOLIO EXPOSURES

Make deliberate
decisions on which
exposures are intended
and unintended



OPERATIONAL DUE DILIGENCE

Safeguarding investor
interests

Visibility & control

Improved investment outcomes

Example: **Investor A** - real assets portfolio

CHALLENGE:

- Increase real asset portfolio from 5% to 20% of the total assets
- Funded from fixed income
- Global diversification
- Maintain real value of assets



8
Funds

650+
Assets

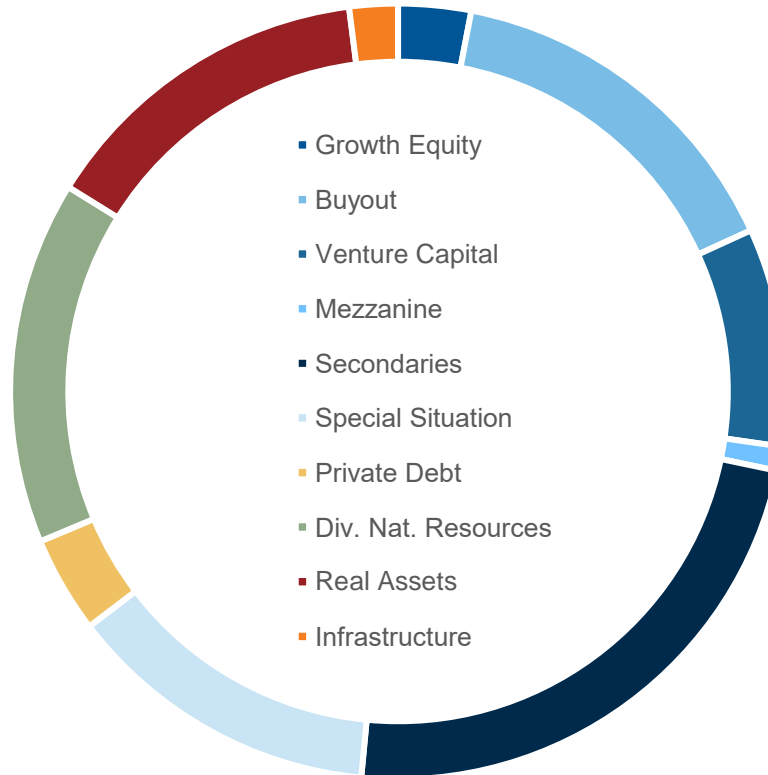
OUTCOME:

- Access to a well diversified portfolio across strategy, geography, manager and asset
- Open ended-fund structures
- Core risk profile
- Income focus
- Inflation protection

Example: **Investor B** - diversified growth portfolio

CHALLENGE:

- Management of complex web of assets from M&A activity
- Streamlining 14 asset pools
- Generate higher returns than public market equivalent
- Diversify risk portfolio



OUTCOME:

- Asset and relationship pooling
- Reduced administrative burden
- Increased buying power
- Additional layer of manager oversight and risk mitigation

**PERPETUAL
TERM**

**54
INVESTMENTS**

**ANNUAL
COMMITMENTS**

Private markets: powering your investment program

Actionable insights

Manager selection and portfolio construction critical to performance



Expertise and scale can help manage the complexity of private markets



Incorporate key pillars of governance and oversight



Important information

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