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Russell Quarterly Economic and Market Review

Economies and markets appear in better shape than governments

THIRD QUARTER 2013

Important information and disclosures

Please remember that all investments carry some level of risk, including the potential loss of Principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification does not assure a profit and does not protect against loss in declining markets.

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Risks of asset classes discussed in this presentation:

Non-U.S. markets entail different risks than those typically associated with U.S. markets, including currency fluctuations, political and economic instability, accounting changes, and foreign taxation. Securities may be less liquid and more volatile.

Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which can be expected to have less stability than those of more developed countries. Securities may be less liquid and more volatile than U.S. and longer-established non-U.S. markets.

Real Asset risks:

Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including, governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than $2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between $10 billion and $200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Defensive style emphasizes investments in equity securities of companies that are believed to have lower than average stock price volatility, characteristics indicating high financial quality, (which may include lower financial leverage) and/or stable business fundamentals.

Dynamic style emphasizes investments in equity securities of companies that are believed to be currently undergoing or are expected to undergo positive change that will lead to stock price appreciation. Dynamic stocks typically have higher than average stock price volatility, characteristics indicating lower financial quality, (which may include greater financial leverage) and/or less business stability.

Although stocks have historically outperformed bonds, they also have historically been more volatile. Investors should carefully consider their ability to invest during volatile periods in the market.

An Investment Grade is a system of gradation for measuring the relative investment qualities of bonds by the usage of rating symbols, which range from the highest investment quality (least investment risk) to the lowest investment quality (greatest investment risk).

Gross domestic product (GDP) refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

Russell Investment Group, is a Washington, USA corporation, which operates through subsidiaries worldwide, including Russell Investments and is a subsidiary of The Northwestern Mutual Life Insurance Company.

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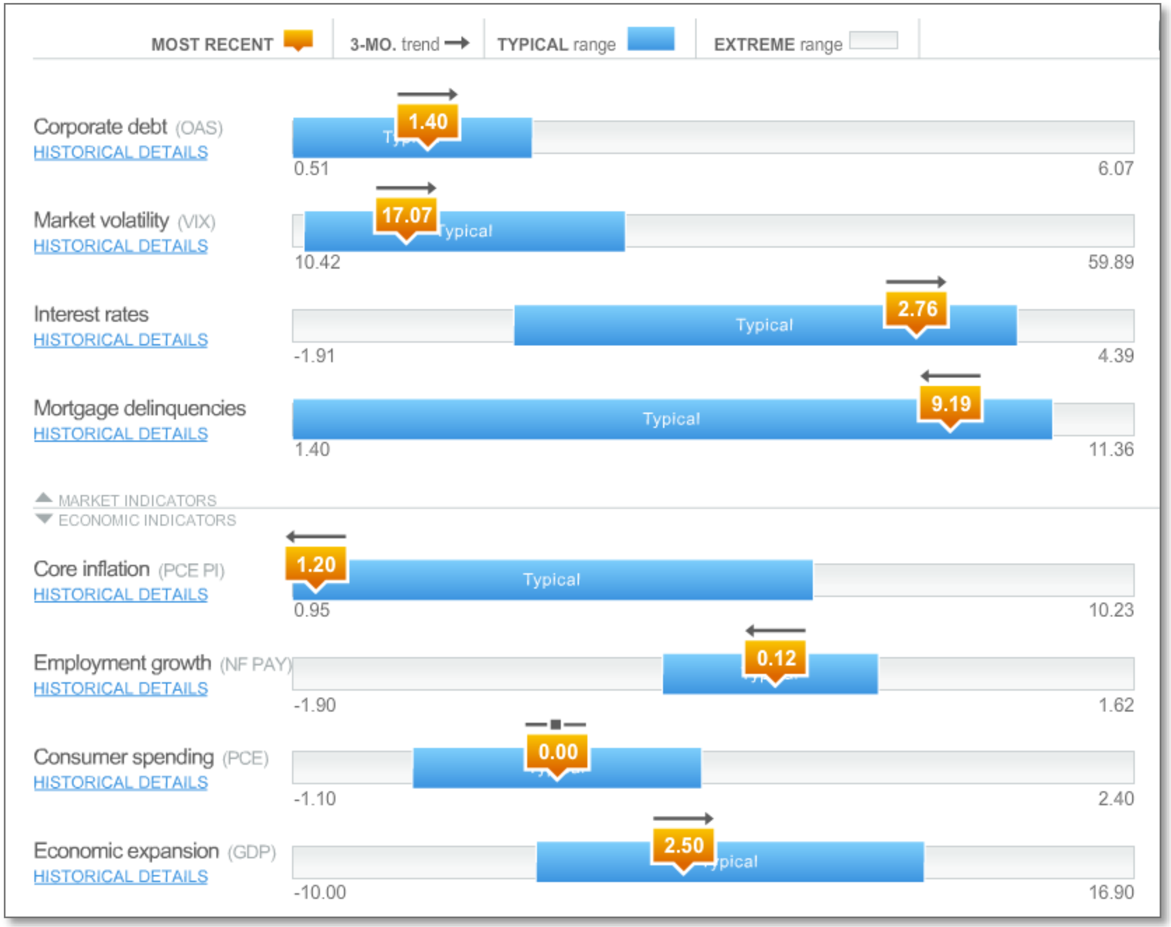
Economic dashboard

Modest increase in market volatility

Housing market improved

Inflation remained low

Steady economic recovery continued



http://www.russell.com

Current state as of August 30, 2013.

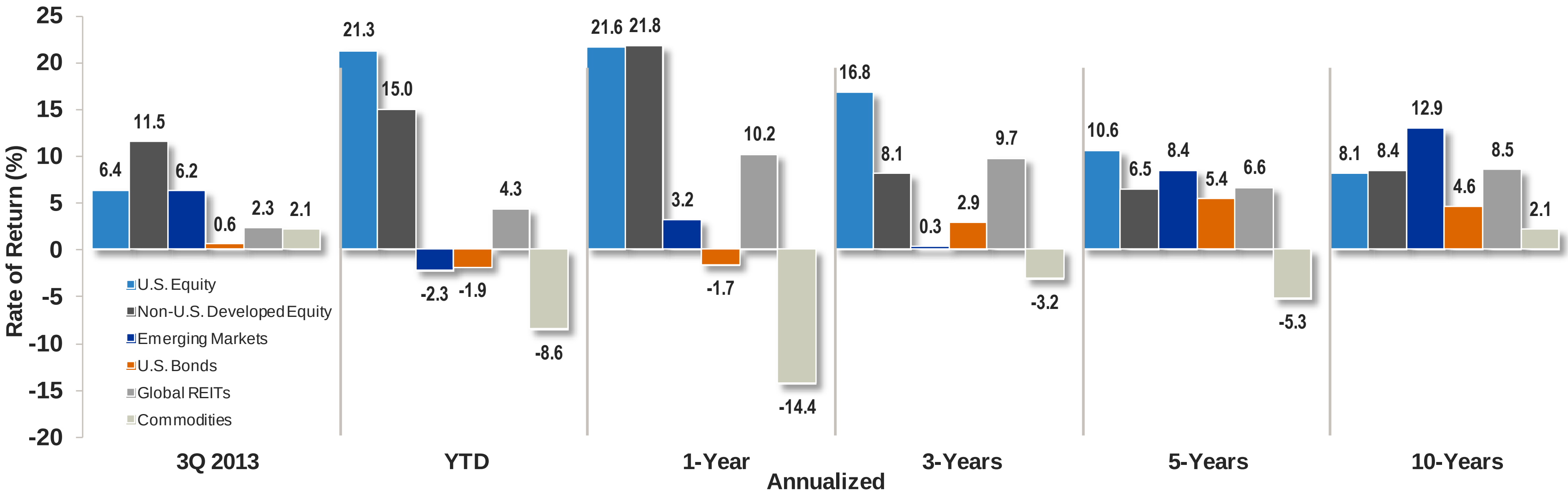
See appendix for category definitions.

Russell's Economic Indicators Dashboard charts several key indicators to help investors assess the current "health" of the economic and market trends. Dashboard is updated on the 22nd of each month.

Capital markets

Periods ending September 30, 2013

Capital Market Returns



U.S. Equity: (Russell 3000® Index) U.S. stock index which includes the 3,000 largest U.S. stocks as measured by market capitalization

Non-U.S. Developed Equity: (Russell Developed ex-U.S. Large Cap Index) International market index that includes Western Europe, Japan, Australia and Canada

Emerging Markets: (Russell Emerging Markets Index) Emerging markets index that includes S. Korea, Brazil, Russia, India and China

U.S. Bonds: (Barclays U.S. Aggregate Bond Index) Broad index for U.S. Fixed Income market

Global REITs: (FTSE EPRA/NAREIT Index) Index for global publicly traded real estate securities

Commodities: (Dow Jones-UBS Commodity Index) Broad index of common commodities

Capital Markets:

- U.S. equity continued its strong run in the third quarter and now represents the highest returning asset class over five years
- Non-U.S. equity led all equity markets as both Europe and the Pac Basin outperformed the U.S. during the quarter
- Emerging markets returned to positive territory this quarter, but are still negative year-to-date and over one-year time period
- Fixed income markets produced positive results despite facing a modest increase in interest rates during the quarter
- Global REITs posted positive results for the quarter led by non-U.S. markets
- Commodities provided investors with a positive return during the quarter, reflecting the gradual improvement in the global economy

Source: Russell, Barclays, Dow Jones, and FTSE NAREIT.
Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

What worked and what didn't in 3Q 2013

What worked

Equities
- Growth +8% / Dynamic +8%
- Micro cap +12%
- Spain +26% / Greece +24%

Fixed Income
- Intermediate Corporates +1%
- Global High Yield +3%

Alternatives / Real Assets
- European REITs +10%
- Precious Metals +9%

What didn't work

Equities
- Utilities -1%
- DJIA +2%
- Turkey -7% / India -5%

Fixed Income
- Long U.S. Treasuries -3%
- EMD Local Currency Gov's -1%

Alternatives / Real Assets
- U.S. REITs -2%
- Agriculture -3%

U.S. and non-U.S. equity* leadership reversed in third quarter, with the one-year numbers almost even:

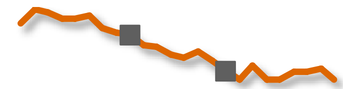
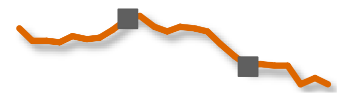
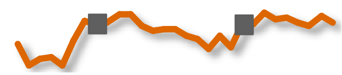
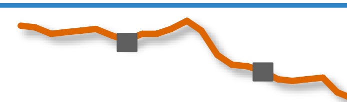
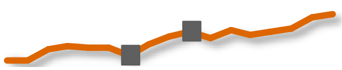
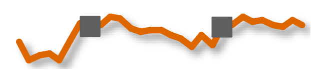
	3Q 2013	YTD	1-Year
› ***U.S. Equity***	*6.4%*	*21.3%*	*21.6%*
› ***Non-U.S. Equity***	*11.5%*	*15.0%*	*21.8%*

*U.S. equity represented by Russell 3000® Index, Non-U.S. equity represented by Russell Developed ex-U.S. Large Cap Index

Index Legend: Growth – Russell 1000® Growth Index; Dynamic – Russell 1000® Dynamic Index; Microcap – Russell Microcap Index; Spain – Russell Global Spain Index; Greece – Russell Global Greece Index; Utilities – Russell 3000® Utilities Index; DJIA – Dow Jones Industrial Index; Turkey – Russell Global Turkey Index; India – Russell Global India Index; Intermediate Corporates – Barclays Intermediate Corporate Index; Global High Yield – Barclays Global High Yield Index; Long U.S. Treasuries – Barclays Long U.S. Treasury Index; EM Local Currency – Barclays Emerging Markets Local Currency Government Universal Index; Precious Metals and Agriculture represent the sub-indexes of the Dow Jones UBS Commodity Sub-index Series; European REITs – FTSE/EPRA NAREIT Developed Europe Sector; U.S. REITs – FTSE NAREIT Equity Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Government debt & deficit battles:

No market causality, but maybe no relation either

PAST GOVERNMENT SHUTDOWNS U.S. equity returns[1]		**SHUTDOWN** +/- 10 days
1976	September 30 – October 11 10 days | -3.4%	
1977	September 30 – October 13 14 days | -3.2%	
1978	September 30 – October 18 18 days | +2.1%	
1979	September 30 – October 12 11 days | -4.4%	
1995	November 14 – November 19 5 days | +2.6%	
1995-1996	December 15 – January 6 21 days | +0.6%	
Average impact on U.S. equity returns:		**-0.9%**

[1]U.S. equity represented by S&P 500® Index returns, 10 calendar days before, including, and after government shutdowns. Squares on sparkline charts denote beginning and endpoints of each past government shutdown of note (i.e. 10 days or more, excepting the two shutdowns in 1995, which followed one another closely).

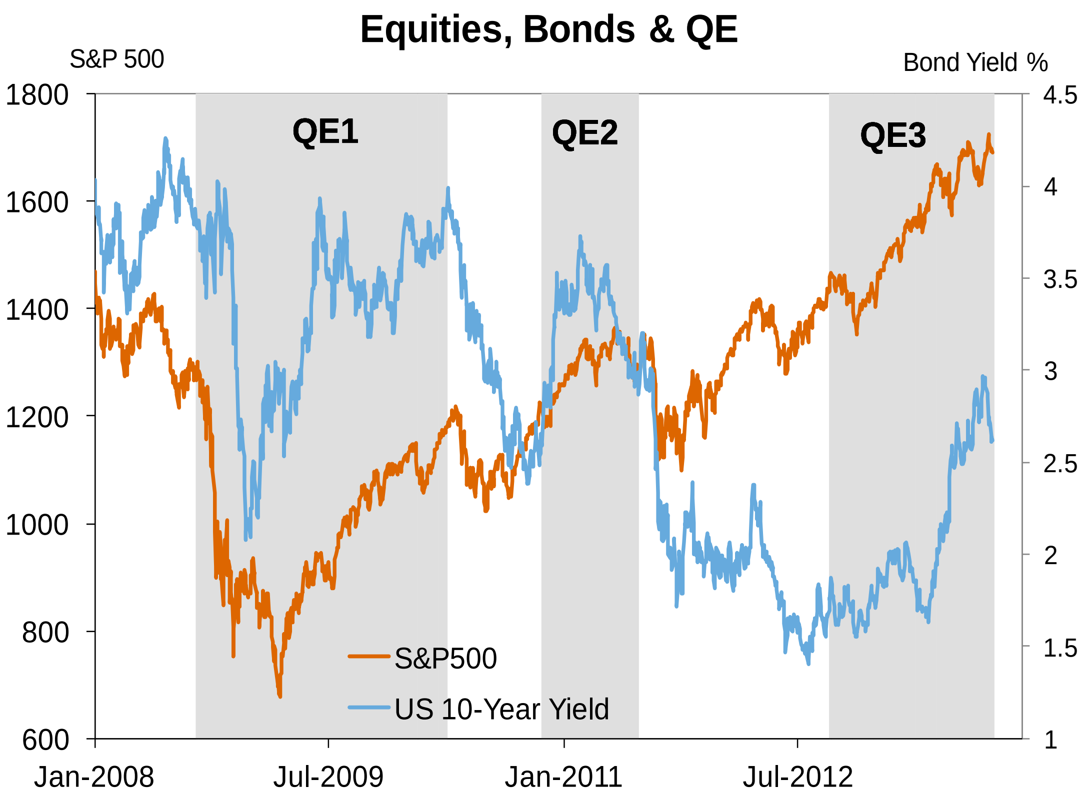
Data sources: Bloomberg, *Washington Post*

Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Quantitative Easing (QE) has not unduly inflated asset prices

QE or not, markets move

- QE: The purpose of the policy is to set the stage for economic recovery
- A critical component of economic recovery is market recovery – which is occurring, as the graph shows
- The ongoing economic improvement sets the stage for Fed tapering in the coming months
- Tapering may create market volatility but it does not appear that QE has lifted asset prices to unsustainable levels



Source: Datastream

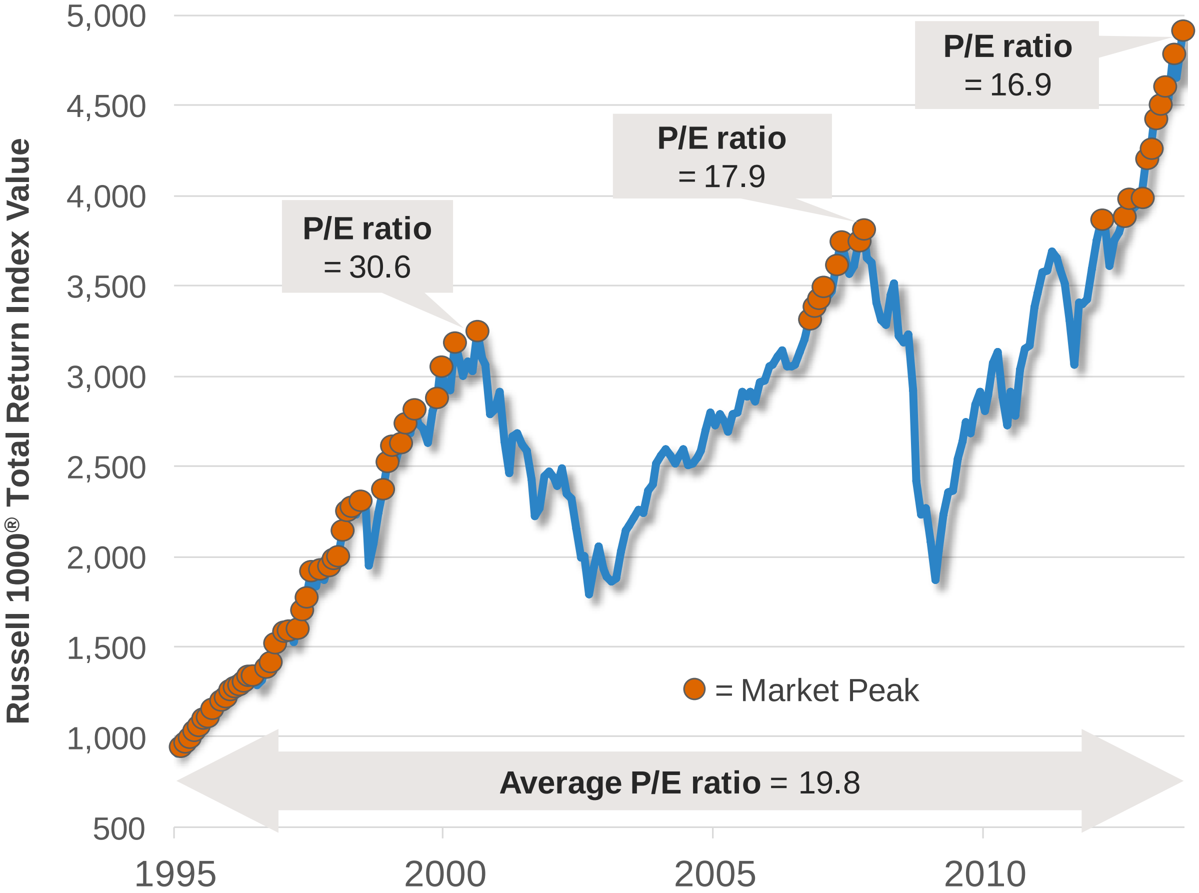
Indexes are unmanaged and cannot be invested in directly.
Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

It's only a market peak until the next one

Markets are a series of "highs" and "lows"

Market has "peaked" 62 times since 1995

Russell 1000® Index monthly data from 1/1995 – 9/2013



- Hitting a high mark doesn't necessarily mean the market will drop the next period
- Most of the 62 market "peaks" since 1995 don't look like peaks when considered in a historical context
- Current market does not appear over-valued compared to the average P/E ratio over this entire period

Source: Russell Investments, Morningstar, and Bloomberg.
Indexes are unmanaged and cannot be invested in directly. P/E ratio represent s the total price of the securities in the market / the reported earnings of the securities in the market.
Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

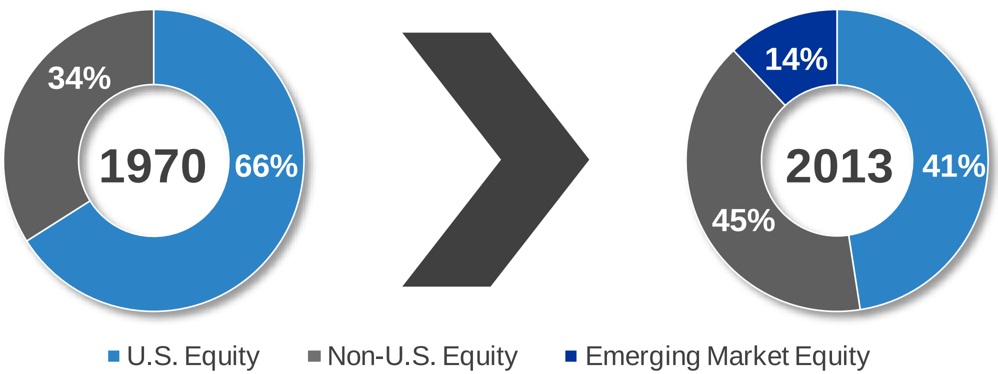
Opportunities for the global investor

The past and present:

› Global opportunity constantly changes

› Performance leadership across asset classes switches (and quickly!)

Global Market Capitalization "Then and Now"

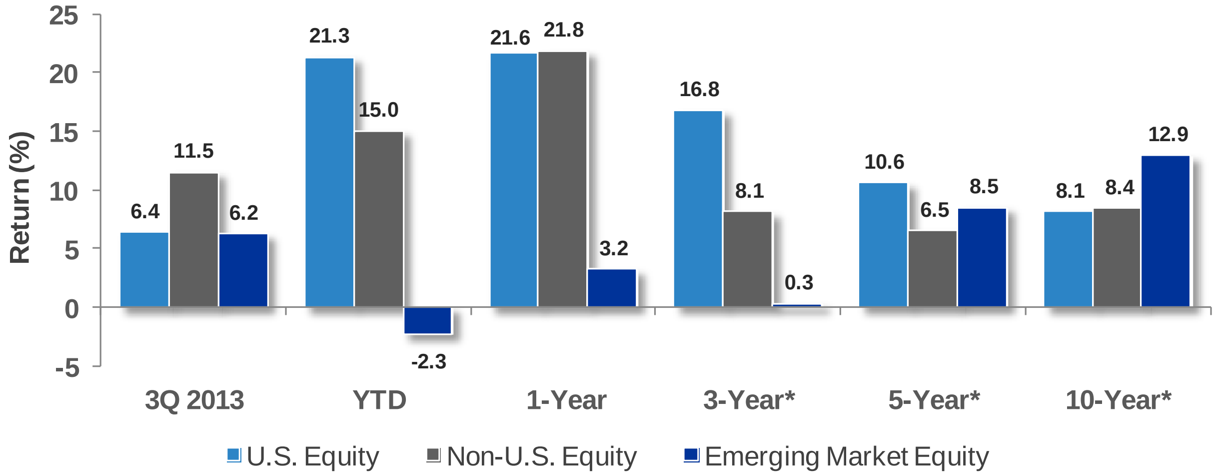


The future:

› Non-U.S. stock valuations currently appear attractive relative to the U.S.

› Diversified investors should consider opportunities globally

Equity Leadership Reversal

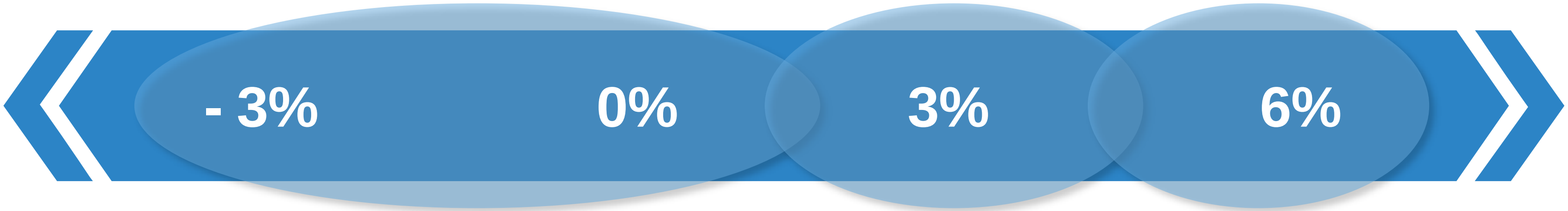


Market Cap Source: MSCI, 1970; Russell, 2013 represents 9/30/2013
U.S. Equity return is the Russell 3000® Index; Non-U.S. Equity return is the Russell Developed ex-U.S. Large Cap Index; Emerging Market return is the Russell Emerging Market Index.
Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.
Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

*Annualized

Bonds: bail in, bail out, or keep calm?

Potential scenarios for future bond returns



Bail out:
Not likely. But if so, consider reducing strategic weights.

Keep calm:
Russell believes this is the most likely outcome. Maintain strategic allocations.

Bail in:
Unlikely. But if so, consider doubling down.

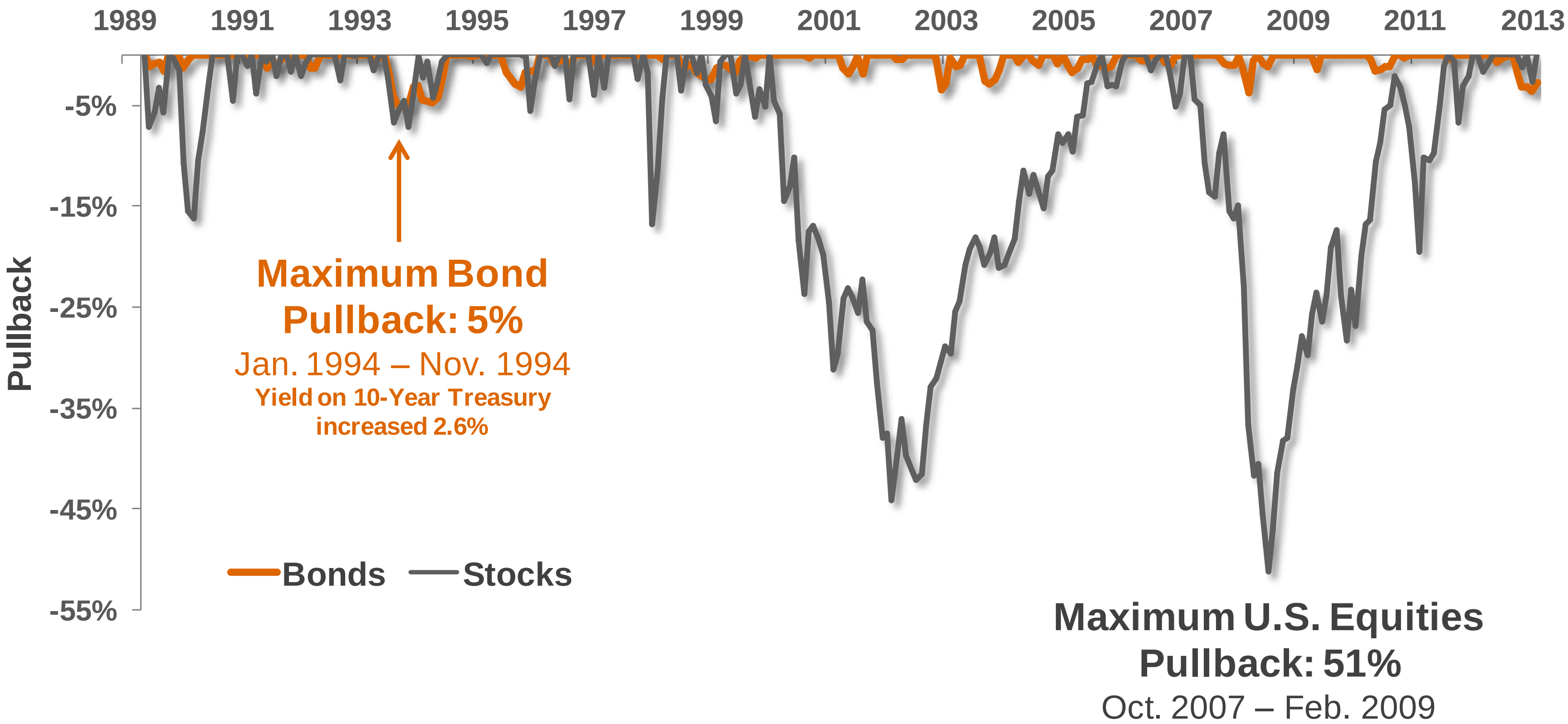
Reasons for holding fixed income:

- Diversification / low volatility
- Capital preservation
- Income
- Return

Misconceptions abound tempting investors to abandon the diversification that bonds uniquely provide.

Investing in bonds involves risks; changes in interest rates during the term of the bond might affect the market value of the bond. The rate of return may not be higher than the rate of inflation for the period of the investment.

Bonds should remain an offset to stock risk



Pullback: The peak-to-trough decline during a specific period. Quoted as the percentage between the peak to the trough.

Source: Morningstar monthly max drawdown % for the Barclays U.S. Aggregate Bond Index ("Bonds") & the Russell 3000® Index ("Stocks") from 12/31/1989 to 9/30/2013.
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Fixating on yield can undermine portfolios

Investing for total return can be a more sensible approach

TOTAL RETURN

Capital Appreciation

+

Interest & Dividends

Total return investing lets investors select securities based on broad investment merits, including:

- Current valuation
- Cash reserves
- Profitability
- Growth potential

Yield-focused investing rigidly follows the old saying to “never invade principal” and puts too much weight on a single investment characteristic.

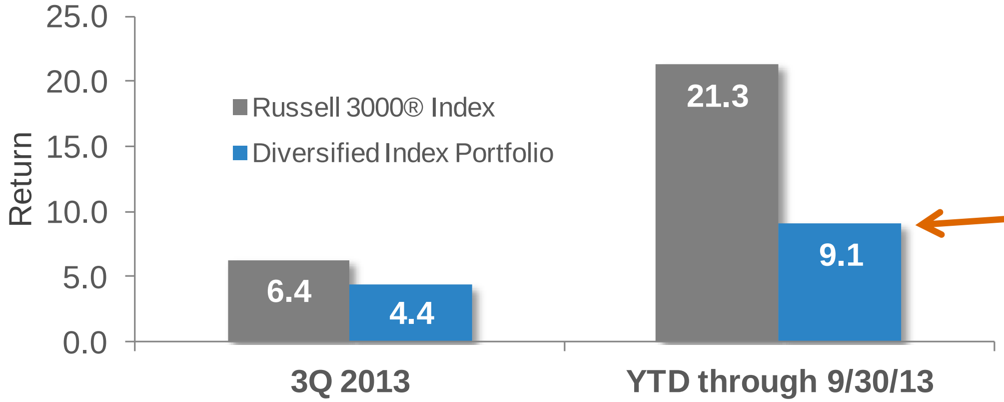
Potential pitfalls of yield-focused investing

- Restricts universe of quality securities
- Can lead to concentrated stock portfolios
- Ignores ability to potentially pay future dividends
- Encourages yield-chasing
- Misaligns cash flows with spending needs

Don’t let an “income” label trump sound investment decision-making.

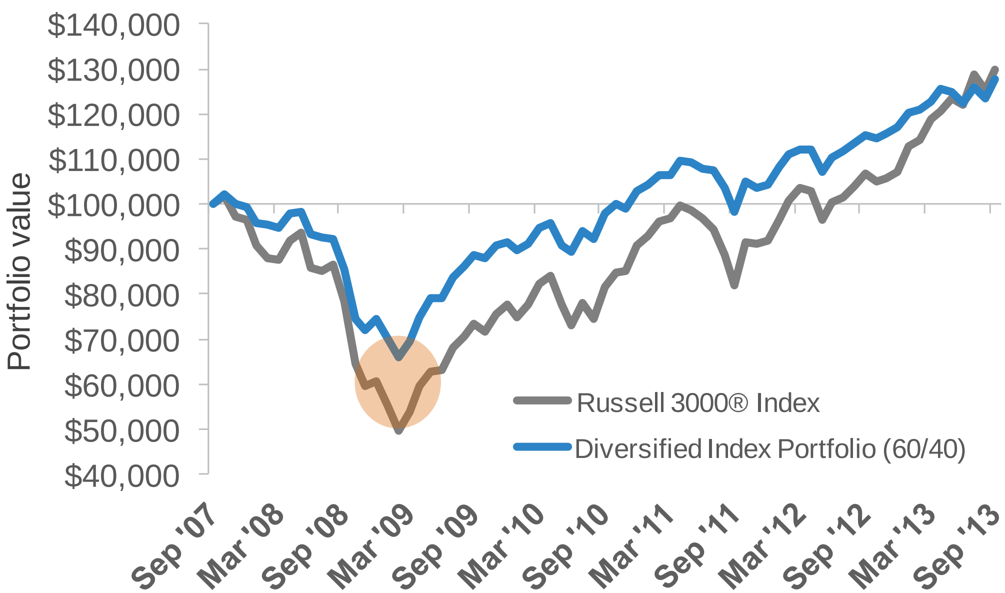
A diversified portfolio is not 'the market'

Short term, a diversified index portfolio has lagged U.S. equities



Investors may be thinking: "Why isn't my portfolio up over 20%?"

A longer term view shows a different picture



Diversification:

- A diversified Index portfolio recovered back to pre-crisis peak 1 year and 4 months earlier than U.S. equities
- It took 5 years for U.S. equities to overtake a diversified portfolio

Diversified Index Portfolio (60/40) is a mix of 35% Russell 3000® Index, 17% MSCI EAFE Index, 3% MSCI Emerging Markets Index, 40% Barclays U.S. Aggregate Bond Index, and 5% FTSE NAREIT Index. **Indexes are unmanaged and cannot be invested in directly. Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.**

Don't let short-term government concerns derail your long-term investment plans

- **Government uncertainty is running high and may introduce market volatility, but economies and markets appear to be moving in the right direction**
  - Tapering is an indication that the U.S. economy is getting stronger
  - Interest rates[1] are gradually normalizing, creating an environment for modest positive bond returns
- **Discipline and diversification are still among the best tools for navigating rough waters**
  - Identify your long-term goals
  - Maintain the global diversification that will help get you there

[1]As represented by the U.S. 10-Year Treasury.
Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

Important information and disclosures

International/Global:

International/Global investing value may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Such securities may be less liquid and more volatile. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and political systems with less stability than those in more developed countries.

Bonds:

With fixed income securities, such as bonds, interest rates and bond prices tend to move in opposite directions. When interest rates fall, bond prices typically rise and conversely when interest rates rise, bond prices typically fall. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds. Bond investors should carefully consider these risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage backed securities, especially mortgage backed securities with exposure to sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds.

Growth:

Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short-term or have grown consistently over the long-term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. A stock's value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

Value:

Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that the stocks' intrinsic values may never be realized by the market, or, that the stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

Index definitions

Barclays U.S. Aggregate Bond Index: An index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities. (specifically: Barclays Government/Corporate Bond Index, the Asset-Backed Securities Index, and the Mortgage-Backed Securities Index).

Barclays Emerging Market Local Currency Government Universal Index: The broadest Barclays benchmark tracking the performance of fixed-rate local currency Emerging Markets (EM) debt.

Barclays Global High Yield Index: An unmanaged index considered representative of fixed rate, noninvestment-grade debt of companies in the U.S., developed markets and emerging markets.

Barclays U.S. Treasury Long Index: An index that includes all Treasuries in the Barclays U.S. Aggregate Index that mature in 10 years or more.

Citigroup 3-Month T-Bill Index: A market-value-weighted index of public obligations of the U.S. Treasury with maturities of 3-months.

Dow Jones Industrial Average: A price weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The DJIA was invested by Charles Dow back in 1896.

Dow Jones UBS Commodity Index: Composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold and contracts that have not yet reached the delivery period must be purchased. This process is known as "rolling" a futures position.

Dow Jones UBS family of sub-indexes: Represents the major commodity sectors within the broad index: Energy (including petroleum and natural gas), Petroleum (including crude oil, heating oil and unleaded gasoline), Precious Metals, Industrial Metals, Grains, Livestock, Softs, Agriculture and ExEnergy. Also available are individual commodity sub-indexes on the 19 components currently included in the DJ-UBSCI℠, plus brent crude, cocoa, feeder cattle, gas oil, lead, orange juice, platinum, soybean meal and tin.

FTSE NAREIT: An Index designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the U.S. economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

FTSE EPRA/NAREIT Developed Index: A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

MSCI EAFE (Europe, Australia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

MSCI Emerging Markets Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of emerging markets.

Russell 1000® Index: Measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 represents approximately 92% of the U.S. market.

Russell 1000® Growth Index: Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index: Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Russell 1000® Defensive Index: Subset of top 1000 U.S. equities with companies that demonstrate less than average exposure to certain risk. (lower stock price volatility, higher quality balance sheets, stronger earnings profile).

Russell 1000® Dynamic Index: Subset of top 1000 U.S. equities with companies that demonstrate than average exposure to certain risks. (higher stock price volatility, lower quality balance sheets, uneven earnings profile).

Russell 2000® Index: Measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Russell 2000® Growth Index: Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index: Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower expected growth values.

Russell 3000® Index: Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Russell Developed ex-U.S. Large Cap Index: Offers investors access to the large-cap segment of the developed equity universe, excluding securities classified in the U.S., representing approximately 40% of the global equity market. This index includes the largest securities in the Russell Developed ex-U.S. Index.

Russell Emerging Markets Index: Index measures the performance of the largest investable securities in emerging countries globally, based on market capitalization. The index covers 21% of the investable global market.

Russell Global Index: Measures the performance of the global equity market based on all investable equity securities. All securities in the Russell Global Index are classified according to size, region, country, and sector, as a result the Index can be segmented into thousands of distinct benchmarks.

Russell Microcap Index: Measures the performance of the microcap segment of the U.S. equity market. It makes up less than 3% of the U.S. equity market. It includes 1,000 of the smallest securities in the Russell 2000® Index.

The S&P 500® Index is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

U.S. Material & Processing: Within the Russell 3000®, those companies that extract or process raw materials, and companies that manufacture chemicals, construction materials, glass, paper, plastic, forest products and related packaging products. Metals and minerals miners, metal alloy producers, and metal fabricators are included.

U.S. Small Cap: Within the Russell 2000®, small capitalization investments involve stocks of companies with smaller levels of market capitalization (generally less than $2 billion) than larger company stocks (large cap).

U.S. Small Cap Financials: Sector within the Russell 2000® Index that consists of companies that provide financial services including banking, finance, life insurance, and securities brokerage, and services companies.

U.S. Technology: Within the Russell 3000, those companies that serve the information technology, telecommunications technology and electronics industries.

U.S. Utilities: Within the Russell 3000, those companies in industries heavily affected by government regulation, such as electric, gas and water utilities. Also includes companies providing telephone services, as well as companies that operate as independent producers or distributors of power.

Economic recovery dashboard definitions

Market Indicators

CORPORATE DEBT (OAS) – Option Adjusted Spread is a measurement tool for evaluating yield differences between similar-maturity fixed-income products with different embedded options. The OAS employed in the dashboard measures the difference between interest rates for similar-maturity investment-grade corporate bonds and treasury bonds and is viewed as a gauge of credit spreads.

MARKET VOLATILITY(VIX) – CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30 day period. The VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

INTEREST RATES – The spread between 3 month Treasury bill yields and 10 year Treasury note yields measures the market outlook for future interest rates. A normal or upward-sloping yield curve, can imply that investors expect the economy to grow and inflation to eat into asset returns. They thus demand a higher yield for long-term Treasuries. An inverted yield curve has often been an indicator of coming recessions, but not always. For example, reduced inflation expectations could cause the yield curve to flatten.

MORTGAGE DELINQUENCIES – Residential Mortgage Delinquencies measure delinquency percentages for residential real estate loans secured by one- to four-family properties. It includes home-equity lines of credit. Delinquent loans represent those loans that are past due 30 days or more and are still accruing interest, as well as loans in non-accrual status.

Economic Indicators

CORE INFLATION (PCE PI) – The core Personal Consumption Expenditures Price Index (PCE PI) measures the average price increase for American consumers on an annualized basis. It excludes food and energy prices, which tend to be volatile from month-to-month. It also allows for consumer substitution of more expensive goods for cheaper goods, which the Consumer Price Index (CPI) does not. It is the preferred lagging inflation measure of the Federal Reserve.

EMPLOYMENT GROWTH (NF PAY) – The NF PAY (Non-Farm Payroll) measures the number of jobs added or lost in the economy over the previous month, not including jobs related to the farming industry due to its seasonal hiring.

CONSUMER SPENDING (PCE) – PCE (Personal Consumption Expenditures) measures the value of goods and services purchased by individual consumers, families and the nonprofit institutions serving them. It consists mostly of new goods and services purchased by individuals from businesses. It excludes purchases of residential structures by individuals and buildings or equipment used by nonprofit institutions serving individuals.

ECONOMIC EXPANSION (GDP) – GDP (Gross Domestic Product) measures the total market value of a nation’s output of goods and services during a specific time period. It is usually measured on a quarterly basis. Current GDP is based on the current prices of the period being measured. Nominal GDP growth refers to GDP growth in nominal prices (unadjusted for price changes). Real GDP growth refers to GDP growth adjusted for price changes. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

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