

# Active ETFs and the evolution of Portfolio Management



## One page summary

Russell Investments Active ETFs: Accessing the Next Generation of Active Management. A multi-manager, multi-style approach delivered efficiently through ETFs built for advisors who want leverage in their practice.

## Why Russell Investments Active ETFs?

- **Outsourced manager selection:** Tap into Russell Investments' global manager research and selection process. A single ETF provides access to multiple specialist managers, many of whom are not otherwise available in the wealth channel. We handle sourcing, diligence, and monitoring, so you do not have to.
- **Built for advisor leverage:** By outsourcing slices of the portfolio, advisors gain time back. Less time is spent researching managers and rebalancing exposures. More time spent with clients, planning, and growing the business.
- **Diversified alpha sources:** A multi-manager approach blends different perspectives, reducing reliance on timing any one factor or cycle.
- **Risk-adjusted outcomes:** No single manager is the best across every sub-asset class or investment style. A multi-manager approach blends specialist perspectives with generally less expected volatility than a single manager approach.
- **Capacity management by design:** Multi-manager structure intended to provide efficient allocation across constrained markets like U.S. small cap and global infrastructure.
- **Dynamic Portfolio Management:** Portfolios evolve as markets change. Exposures to managers, factors, and styles are adjusted using Russell Investments' research and market views rather than remaining static or purely index driven.

## What this means for investors

- **Access to Russell Investments' top strategies** that may not otherwise be available to retail investors.
- **High conviction ideas:** Portfolios continually updated with some of Russell Investments' best ideas.
- **Enhanced alpha potential:** Security selection seeks to drive performance, with risk controls in place.
- **Potential for smoother ride:** Multi-manager approach seeks to reduce volatility compared to single-manager portfolio and improve risk-adjusted outcomes.
- **ETF advantages included:** Lower costs, liquidity, potential for tax efficiency, and transparency.

## Where active management adds value

- **Inefficient markets reward skill:** Russell Investments believes that U.S. small-cap, international, emerging markets, global equity, and global infrastructure present strong opportunities for alpha.
- **Our ETF lineup:**
  - **RGLO** – Russell Investments Global Equity ETF
  - **RINT** – Russell Investments International Developed Equity ETF
  - **RIFR** – Russell Investments Global Infrastructure ETF
  - **RUSC** – Russell Investments U.S. Small Cap Equity ETF
  - **REMG** – Russell Investments Emerging Markets Equity ETF

## Our manager research and portfolio construction advantage

- **Rigorous selection:** Thousands of managers evaluated annually; only our top-rated strategies included.
- **Specialist managers:** Access to boutique strategies often with limited retail presence.
- **Dynamic, open architecture:** Top-rated managers refreshed continually to capture some of Russell Investments' best ideas. Not married to any one manager.
- **Risk managed portfolio construction:** optimized implementation, capturing security selection potential while managing factor, sector, and region exposures.

## Bottom line

Russell Investments' active ETF suite combines the efficiency of ETFs with Russell Investment's capabilities of identifying and combining world-class managers. Investors can gain access to differentiated sources of return, the potential for improved risk-adjusted outcomes, and the full structural benefits of the ETF vehicle — representing a new standard in active investing.



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## Russell Investments' Multi-Manager, Multi-Style Approach

### Executive Summary

Russell Investments has long believed that **multi-manager, multi-style active investing** represents the most reliable pathway to sustainable excess returns. Our new suite of actively managed ETFs — **RGLO (Russell Investment Global Equity ETF)**, **RINT (Russell Investments International Developed Equity ETF)**, **RIFR (Russell Investments Global Infrastructure ETF)**, **RUSC (Russell Investments U.S. Small Cap Equity ETF)**, **REMG (Russell Investments Emerging Markets Equity ETF)** — combines this philosophy with the structural benefits of the ETF vehicle.

These funds are designed to provide investors with:

- Seeking excess return potential above the passive alternative.
- Access to differentiated sources of alpha through skilled active managers.
- Seeking smoother, less volatile performance relative to single-manager strategies.
- The liquidity, tax efficiency, and transparency advantages of ETFs.

This white paper details the rationale behind the ETF structure, the opportunity sets for active management, our research-driven manager selection process, multi-manager portfolio construction, and the benefits these ETFs provide to investors.

### 1. Why ETFs are an optimal vehicle for active management

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Active management historically faced challenges with high fees, limited transparency, and tax inefficiencies. Russell Investments ETFs work to address these issues while maintaining exposure to skilled managers.

#### Key structural advantages include:

- **Active ETF Evolution:** We will manage our portfolios, leveraging our market and research capabilities, seeking to ensure we are incorporating current views on the market, not just a passive exposure that may or may not be relevant over time.
- **Intraday liquidity:** Investors can trade ETFs throughout the day, enabling tactical allocation shifts.
- **Tax efficiency:** In-kind creation/redemption allows many ETFs to help reduce capital gains distributions.
  - This advantage can become more valuable when considering our multi-manager approach. Manager replacements within certain of our ETFs are expected to typically be handled with in-kind transfers to seek to reduce taxable events.
- **Transparency:** Daily holdings allow investors to monitor risk and exposure.
- **Reduced trading costs within ETF:** Primary market liquidity and authorized participant mechanisms can help reduce slippage and market impact.

### 2. Opportunities for active management

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Active management can be successful in all areas of the market, but we have identified markets that possess characteristics that we believe increase the likelihood of success:

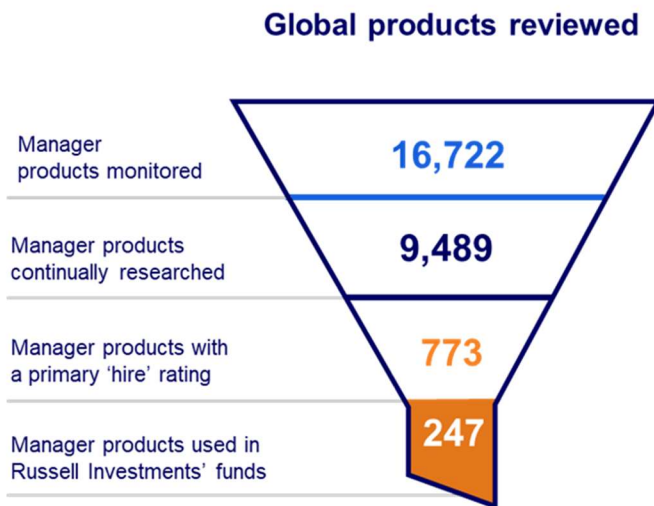
Universe	Opportunity	Corresponding ETF Vehicle
U.S. Small Cap	High dispersion, information asymmetry	RUSC
International Developed	Currency and regional inefficiencies	RINT
Global Equity	US vs non-US valuation dispersion enables numerous portable alpha opportunities	RGLO
Emerging Markets	Information asymmetry, valuation discounts of similar stocks relative to developed peers	REMG
Global Infrastructure	Income-oriented, lower correlation, valuation inefficiencies	RIFR

### 3. Manager research process

Russell Investments' research methodology is designed to systematically identify skilled active managers:

- Quantitative screening: Performance persistence, risk-adjusted returns, factor exposures, and style consistency.
- Qualitative assessment: Governance, process repeatability, team stability, and culture.
- Open-Architecture: Unbiased access to high conviction managers that may be unavailable to many investors or operate in capacity-constrained niches, such as U.S. small cap and infrastructure.
- Ongoing, continuous research: Buy ranks are refreshed regularly, with ~25% turnover annually, seeking to ensure portfolios reflect the latest high-conviction ideas.

#### Global Manager Research – Traditional & Alternatives



As of September 30, 2025, for Russell Investments globally.

Manager products monitored is the total number of traditional and alternative products listed in the database.

Manager products continually researched is the number of products in the database with an active offering status where Russell Investments has applied a defined rank (1,2,3,4,A,B,C,D).

Manager products with a primary 'hire' rating is the number of products in the database with an active offering status with a Hire (4) rank.

Manager products used in Russell Investments' funds is the total number of products with signed executed contracts for Russell Investments funds as of the quarter-end reporting period.

Please note: Products used in Russell Investments funds do not include alternatives.

### 4. Multi-manager construction rationale

Multi-manager design seeks to enhance risk-adjusted outcomes by striving to mitigate unintended risks and allow skilled stock selection to drive outcomes:

- **Diversification of alpha sources:** Combining managers with complementary styles reduces dependency on a single factor or approach.
- **Volatility and risk-adjusted performance:** Multi-manager portfolios seek to lower tracking error and improve risk-adjusted outcomes.
- **Capacity management:** In liquidity-constrained markets, multi-manager construction seeks to avoid concentration issues that could reduce alpha potential.

### 5. ETF portfolio construction & optimization

Our active ETFs start with stock ideas from skilled managers, then take it a step further. We actively refine the portfolio at the individual security level—adjusting weights, trimming holdings, managing risk, and seeking to efficiently trade—all with the goal of capturing the managers' best insights while maintaining a disciplined, diversified portfolio:



- **High-conviction sourcing:** Portfolios built from some of Russell Investments' highest ranked managers and highest-conviction ideas.
- **Risk-controlled concentration:** Seeking to preserve manager security selection benefits while managing sector and country risks, factor exposures, stock concentration and turnover.
- **Security selection as primary alpha driver:** Active risk is intended to be driven primarily by stock-specific selection while factors, sectors and regions are aligned to Russell Investments' strategic preferences.
- **Dynamic updates:** Positions and allocations are refreshed frequently to reflect new research insights.

## 6. Investor outcomes and potential benefits

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Investors can gain a combination of alpha potential, risk control, and structural efficiency:

- Access to Russell Investments' top-rated strategies: Boutique managers that may have limited retail availability.
- High conviction ideas: Continually refreshed portfolios reflecting some of the best research from Russell Investments.
- Enhanced alpha potential: Security selection intended to drive returns, supported by multi-manager diversification.
- Potential for smoother ride: Reduced expected volatility and tracking error relative to single-manager funds.
- ETF structural benefits: Daily liquidity, transparency, cost efficiency, and tax management.

## Conclusion

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The Russell Investments active ETF suite represents a **new paradigm in active investing**. By combining the structural efficiency of ETFs with our multi-manager, multi-style research-driven approach, these ETFs offer investors:

- Excess return potential above the passive alternative.
- Differentiated sources of potential alpha
- The potential for improved risk-adjusted performance
- Access to strategies that may have limited retail availability
- Full ETF structural benefits, including increased tax efficiency, liquidity, and transparency

**Strategic Positioning:** RGLO, RINT, RIFR, RUSC, and REMG collectively provide exposure across global equities, U.S. small cap, emerging markets, and infrastructure — all designed to manage the probability of long-term investor success.



## Where to next?



Call Russell Investments at  
**800-787-7354**  
or visit [russellinvestments.com](https://www.russellinvestments.com)

### About Russell Investments

Russell Investments is a leading global investment solutions partner providing a wide range of investment capabilities to institutional investors, financial intermediaries, and individual investors around the world. Since 1936, Russell Investments has been building a legacy of continuous innovation to deliver exceptional value to clients, working every day to improve people's financial security. Headquartered in Seattle, Washington, Russell Investments has offices worldwide, including: Dubai, London, Mumbai, New York, Paris, Shanghai, Sydney, Tokyo, and Toronto. Important Disclosures

ETF investing involves risk. Principal loss is possible. Fund shares are not individually redeemable and are issued and redeemed by the Fund at their net asset value ("NAV") only in large, specified blocks of shares called creation units. Shares otherwise can be bought and sold only in the secondary market at market price (not NAV). Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. Unlike passively managed ETFs, actively managed ETFs do not attempt to track or replicate an index. The Fund's investment decisions are made at the discretion of its portfolio managers, and there is no guarantee that the strategies used will be successful. The Fund may underperform other funds with similar investment objectives, including those that track an index.

**Equity:** The value of equity securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. Investments in small and medium capitalization companies may involve greater risks because these companies generally have narrower markets, more limited managerial and financial resources and a less diversified product offering than larger, more established companies. Small and some medium capitalization stocks may also be thinly traded, and thus, difficult to buy and sell in the market. Investments in preferred stocks are subject to the risks of common stocks, as well as the risk that interest rates will rise and make the fixed dividend feature, if any, less appealing to investors resulting in a decline in price. Additional risk and disclosures can be found in the prospectus.

**International:** Non-U.S. securities have risks relating to political, economic, social and regulatory conditions in foreign countries. Non-U.S. securities may also be subject to risk of loss because of more or less foreign government regulation, less public information and less stringent investor protections and disclosure standards. Additional risk and disclosures can be found in the prospectus.

**Infrastructure:** Infrastructure companies are subject to the risk that: the potential for realized revenue volumes is significantly lower than projected and/or cost overruns; the nature of the concession fundamentally changes during the life of the project (e.g., the state sponsor alters the terms); macroeconomic factors such as low GDP growth or high nominal interest rates raise the average cost of funding; government regulation may affect rates charged to customers; government budgetary constraints impact projects; special tariffs are imposed; and changes in tax laws, regulatory policies or accounting standards could be unfavorable. Other risks include environmental damage due to a company's operations or an accident, changes in market sentiment towards infrastructure and terrorist act. Additional risk and disclosures can be found in the prospectus.

**Emerging Markets:** Investing in emerging market equity securities can pose some risks different from, and greater than, risks of investing in U.S. or developed markets equity securities. These risks include: a risk of loss due to political instability; exposure to economic structures that are generally less diverse and mature, and to political systems which may have less stability, than those of more developed countries; smaller market capitalization of securities markets, which may suffer periods of

relative illiquidity (including as a result of a significant reduction in the number of market participants or transactions); significant price volatility; restrictions on foreign investment; possible difficulties in the repatriation of investment income and capital including as a result of the closure of securities markets in an emerging market country; and, generally, less stringent investor protection standards as compared with investments in U.S. or other developed market equity securities. In addition, emerging market countries may be subject to less stringent requirements regarding accounting, auditing, financial reporting and record keeping and therefore, all material information may not be available or reliable. U.S. regulatory authorities' ability to enforce legal and/or regulatory obligations against individuals or entities, and shareholders' ability to bring derivative litigation or otherwise enforce their legal rights, in emerging market countries may be limited. Additional risk and disclosures can be found in the prospectus.

#### Important Information

***Russell Investments Exchange Traded Funds objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling 800-787-7354 or by visiting [the prospectus and reports page](#) to download one. Please read the prospectus carefully before investing.***

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 and strategic asset allocation do not assure profit or protect against loss in declining markets.

While the investment styles employed by the money managers are intended to be complementary, they may not in fact be complementary. A multi-manager approach could result in more exposure to certain types of securities. This may be beneficial or detrimental to a Fund's performance depending upon the performance of those securities and the overall economic environment. The multi-manager approach could increase a Fund's portfolio turnover rates which may result in higher levels of realized capital gains or losses with respect to a Fund's portfolio securities, higher brokerage commissions and other transaction costs.

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