

# METRIQ®: PORTFOLIO DIAGNOSTIC



KNOW WHAT YOU OWN. KNOW WHERE YOU WANT TO GO.  
KNOW HOW TO GET THERE.

## The challenge

Understanding and managing portfolio risks is paramount. Many institutional investors face three similar challenges:

- What do they own? What are their actual exposures at any given time? Are there gaps or overlaps?
- Where do they want to be? How close are they to their actual targets?
- What is the most efficient and cost-effective way to get there? What's the optimal way to align their portfolio with policy?

A portfolio diagnostic uses the same powerful analytic platform we use internally every day on our own portfolios, METRIQ, and applies that analytical power to a client's portfolio. This diagnostic effort provides clients with a thorough evaluation of their portfolio exposures, sourced from underlying holdings in their managers' portfolios, or via proxy holdings from our lineup. Clients are able to evaluate risks at all levels, often identifying exposures that are unintended or may be outsized relative to the overall risk budget. This output enables more informed decision making. It is designed to empower investors to optimize their portfolio through improved risk-adjusted performance, enhanced risk management and cost savings.

## Two diagnostic case studies

### 1. A large pension plan

This client was in the early stages of implementing custom beta solutions. Their primary challenge was understanding their portfolio's risk exposures to make informed decisions during a series of manager changes.

- This plan had their own in-house risk systems, so we provided an additional layer of analysis to validate and enhance their existing data. This initial analysis helped them identify key risk exposures and areas of concern.
- We identified that the plan's portfolio was underweight U.S. equity relative to its benchmark.

*A portfolio diagnostic uses the same powerful analytic platform we use internally every day on our own portfolios, METRIQ, and applies that analytical power to a client's portfolio.*

- Armed with this knowledge, we ran scenario analysis on various potential manager transitions, along with the use of custom beta solutions to fill gaps in the portfolio.
- The plan implemented their desired changes, addressing exposures within countries and factors to help reduce active risk that is unintended and realize better risk adjusted returns.

## 2. A large healthcare organization

After engaging Russell Investments for several implementation solutions over a number of years, this client joined our Enhanced Portfolio Implementation (EPI) platform. Their primary goal was increased cost savings, along with efficiency gains through reduced trading and centralized portfolio oversight.

- The large healthcare organization initially engaged Russell Investments to manage a large portfolio change, requiring our Transition Management team to coordinate with multiple parties while maintaining the appropriate market exposure.
- Next, the staff connected with our Overlay and Completion Management teams to address unintended risk exposures in their portfolio.
- Finally, we onboarded the client to our Enhanced Portfolio Implementation (EPI) platform, providing them access to our full suite of managers along with the scale of our negotiating power.
- EPI enables greater operational ease when adjusting manager allocations, eliminating the need for a formal transition. Working in coordination with the client's overlay, the portfolio remains fully invested throughout these changes.
- The client can now incorporate their own values and exclusion list across their entire portfolio—something that was not possible with prior investments in commingled vehicles.

## METRiQ: Get access to the same analytics platform we use every day

Our portfolio analytics platform, METRiQ, arms Russell Investments' portfolio managers and consultants with a leading-edge suite of diagnostic tools designed to provide clients with a comprehensive view of their portfolios. These tools leverage advanced risk analytics to identify portfolio exposures and unintended risks due to gaps and overlaps, enabling clients to make data-driven decisions.

### Diagnostic process

The diagnostic process typically involves analyzing clients' total portfolio, identifying risk exposures, and providing actionable insights after conversations with the client to understand their goals. In many cases, the process begins with an in-depth analysis of the client's global equity portfolio. Our team collaborates with the client to gather relevant data, including holdings, benchmarks and manager lineups. (Note: In cases where clients are unable to share detailed holdings, we can work with proxies or anonymized data.)

#### Step 1: Data collection and initial analysis

The first step involves collecting data on the client's portfolio. This includes:

- **Holdings:** Detailed information about the securities held in the portfolio.
- **Benchmarks:** Reference points to compare the portfolio's performance.
- **Manager Lineups:** Information about the managers overseeing different segments of the portfolio.



*The diagnostic process typically involves analyzing clients' total portfolio, identifying risk exposures, and providing actionable insights after conversations with the client to understand their goals.*

## Step 2: Risk exposure analysis

Using METRiQ's advanced risk analytics, we evaluate the portfolio's risk exposures. This involves:

- **Identifying underweights and overweights:** Comparing the portfolio's allocations to its benchmark to identify significant deviations.
- **Factor and regional tilts:** Analyzing the portfolio's exposure to various factors (e.g., value, growth) and regions.
- **Quantifying contribution to risk:** Highlighting the drivers of risks in the portfolio to delineate between compensated and uncompensated sources of risk.

## Step 3: Client consultation and feedback

We present the findings to the client, providing detailed reports and visualizations. This step involves:

- **Discussing findings:** Engaging with the client to explain the identified exposures and their potential impact—both positive and negative.
- **Gathering feedback:** Allowing the client to provide input and clarify their investment objectives.
- **Proposing actionable solutions:** Recommending strategies to address unintended exposures and align the portfolio with the client's goals.

## Step 4: Implementation and ongoing support

The client is free to take the provided insight and use it as they see fit. If the client agrees with the proposed solutions, and chooses to implement them, we are ready to assist with implementation. This includes:

- **Transition management:** Helping clients transition or rebalance between managers smoothly, minimizing disruption, time out of market, and overall costs.
- **Completion Portfolios & Overlays:** Implementing tailored portfolios to address specific risk exposures, using physical and synthetic exposures.
- **Ongoing Monitoring:** Providing regular updates and analytics to ensure the portfolio remains aligned with the client's objectives.
- **Enhanced Portfolio Implementation:** Centralizing implementation of portfolio, while maintaining sub-manager insights.



*The diagnostic process demonstrates the power of advanced risk analytics in asset management.*

## The power of advanced risk analytics

The diagnostic process demonstrates the power of advanced risk analytics in asset management. Using METRiQ, we provide clients with a clear understanding of their portfolios from an asset allocator's perspective, enabling them to make informed decisions and to take advantage of optimization opportunities, often resulting in significant cost savings, risk reduction, and better performance in their portfolios.

# QUESTIONS?

Call Russell Investments at **800-426-8506**  
or visit **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, New York, Paris, Shanghai, Sydney, Tokyo, and Toronto.

### IMPORTANT INFORMATION

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. Case study provided for discussion purposes only. Individual client results will vary based on individual circumstances and market events. There is no guarantee that all clients will experience the same positive results.

This case study showcases a diagnostic effort that helps clients understand and manage portfolio risks. Case studies are problem-solving stories. We select a situation that is indicative of problems clients in this category are facing. The recommendations described do not represent a standard strategy or set of recommendations made for all advisory clients with similar issues. Each client has unique requirements, challenges, and constraints, and our advisory solutions are tailored to each client's specific needs. Every client's situation, experience and needs are different, and Russell Investments does not imply that the solution herein is appropriate for any other client.

The case study provided is for illustrative purposes only and is meant to provide an example of a type of financial issue a client may have and our process and a methodology to address it. Individual client results will vary based on individual circumstances and market conditions. The results presented were based on a period of fluctuating marketing conditions and the underlying asset allocation, market criteria and assumptions, or the investment advice/strategy followed may have changed materially. There is no guarantee that all clients will experience the same results.

The information expressed herein represents the current, good faith views of the author(s) at the time of original publication and has not been updated. Any predictions, opinions, and other information contained in this material are subject to change continually, without notice.

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.

**Russell Investments Financial Services, LLC, member FINRA part of Russell Investments.**

Securities products and services offered through Russell Investments Implementation Services, LLC, part of Russell Investments, a SEC Registered investment adviser and broker-dealer, member FINRA, SIPC.

Russell Investments Implementation Services, LLC is a wholly owned subsidiary of Russell Investments US Institutional HoldCo.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates Management, L.P., with a significant minority stake held by funds managed by Reverence Capital Partners, L.P. Certain of Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, non-controlling, ownership stakes.

Frank Russell Company is the owner of the Russell trademarks contained in this material and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under license from Frank Russell Company. The members of the Russell Investments group of companies are not affiliated in any manner with Frank Russell Company or any entity operating under the "FTSE RUSSELL" brand.

Copyright © 2025. Russell Investments Group, LLC. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments. It is delivered on an "as is" basis without warranty.

First used: May 2025

RIIS-04766 (05/28)