



DIVISION OF  
INVESTMENT MANAGEMENT

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

August 30, 1993

Thomas A. Early  
Associate General Counsel  
Frank Russell Investment Management Company  
P.O. Box 1591  
Tacoma, Washington 98401

Re: Item 5(c) of Form N-1A

Dear Mr. Early:

This is in response to your letter of May 6, 1993, supplemented by letters of May 28 and June 2 from Deedra A. Smith to Martha H. Platt of my office, in which Frank Russell Investment Management Company ("FRIMCo") requests guidance in responding to Item 5(c) of Form N-1A.

According to your letters, FRIMCo is the investment adviser to Frank Russell Investment Company, an open-end management investment company registered with the Commission under the Investment Company Act of 1940. FRIMCo selects sub-advisers (the "Portfolio Managers") to make specific investments for the Fund's portfolios. Five FRIMCo employees are responsible for the review of the twenty-two portfolios, and FRIMCo has the authority to reallocate assets among the Portfolio Managers and to terminate Portfolio Managers. The Fund currently employs thirty-three Portfolio Managers.

Each portfolio is managed by a number of Portfolio Managers, with the exception of the Real Estate Securities Fund, which has a single Portfolio Manager, and two of the money market funds, which are managed solely by FRIMCo. FRIMCo requests assurance that the staff would not recommend enforcement action to the Securities and Exchange Commission if FRIMCo made Item 5(c) disclosure regarding the FRIMCo employees rather than the individuals employed by the Portfolio Manager to make investments for each portfolio.

Item 5(c) requires disclosure about that person or those persons "who are primarily responsible for the day-to-day management of the fund's portfolio . . . ." Your request raises the question of how Item 5(c) applies to a fund that operates with a multi-manager structure.

We do not believe that the Commission contemplated a multi-manager structure when it adopted Item 5(c). A literal interpretation of the item's reference to "day-to-day management" would suggest the naming of multiple portfolio managers, a result that may be appropriate in some circumstances, but not in a multi-manager structure such as you describe in your letter. An investor in a fund holding itself out as being managed by a "manager of managers" is more likely to be interested in the background and skill of those who manage the managers than in the individuals being managed; if not, we assume that, if the opportunity is available, the investor would direct his or her assets directly to the individuals being managed by the manager.

Therefore, we believe that where a fund holds itself out as being managed by a manager of managers, (i.e., holds itself out as being managed by more than one sub-adviser under the supervision of the adviser), and in fact, significant management functions are performed by the adviser, it may be appropriate to conclude that an individual (or individuals) employed by the adviser, rather than the sub-advisers, is (are) responsible for day-to-day management of the fund and should be named as the portfolio manager(s).<sup>1</sup> Significant management functions would include, at a minimum, regular review of the performance of the sub-advisers by an adviser having the authority to discharge the sub-advisers and periodically reallocating assets among the sub-advisers based on the changing market perceptions of the adviser (e.g., reallocation from a sub-adviser managing equities to one managing bonds) or the performance of the sub-adviser.

Based on FRIMCo's representations in its prospectuses and in your letters to us regarding the allocation of management responsibility between FRIMCo and non-FRIMCo portfolio managers, we believe that it would be sufficient for FRIMCo to make Item 5(c) disclosure regarding the following:

- the FRIMCo employee(s) responsible for overseeing the Portfolio Managers for those portfolios with more than one Portfolio Manager;
- the individual(s) employed by the Portfolio Manager for portfolios managed by a single Portfolio Manager; and

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<sup>1</sup> We would not take the same position, however, with respect to a fund with a multi-manager structure under which the adviser managed the portfolio management activities of sub-advisers through a committee structure because no portfolio manager would be named. See Instruction 2 to Item 5(c).

-- the FRIMCo employees for portfolios managed only by FRIMCo.<sup>2</sup>

Sincerely,



Robert E. Plaze  
Assistant Director

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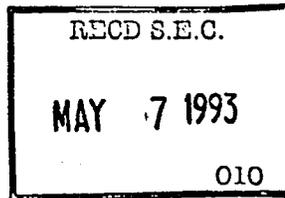
<sup>2</sup> While FRIMCo employees manage the Money Market and U.S Government Money Market Portfolios, we do not expect that the fund will identify these FRIMCo employee(s) because money market funds are exempt from Item 5(c).

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Management Company**

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Please refer to: Thomas A. Early  
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May 6, 1993

**VIA OVERNIGHT COURIER**

Thomas S. Harman  
Chief Counsel  
Office of the Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
Mail Stop 10-6  
450 Fifth Street, N.W.  
Washington, DC 20549

Item 5(c) to Form N-1A, Adopted  
Pursuant to Release No. 33-6988

Re: Frank Russell Investment Company  
File No. 33-71299

ACT ICA of 1940  
SECTION 8(b)  
RULE \_\_\_\_\_  
PUBLIC  
AVAILABILITY 8/30/93

Dear Mr. Harman:

On behalf of Frank Russell Investment Company, I respectfully request that you advise me that the Staff of the Securities and Exchange Commission will not recommend enforcement action to the Commission if Frank Russell Investment Company makes the disclosure described in the attached no-action request in response to Item 5(c) of Form N-1A.

In accordance with Securities Act Release No. 6269 (December 5, 1980), I am submitting an original and seven copies of the request letter. Please indicate your receipt of these letters by date-stamping the extra copy of this cover letter and the attached request letter and returning them in the enclosed self-addressed, stamped envelope.

If you have any questions concerning this matter, please do not hesitate to contact me at (206) 596-2406 or Deedra Smith at (206) 591-3537.

Sincerely,

Thomas A. Early  
Associate General Counsel  
Chief Financial Services Counsel

cc: Karl J. Ege, Esq.  
James T. Firm, Esq.  
Deedra A. Smith, Esq.  
Margaret L. Barclay

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May 6, 1993

**VIA OVERNIGHT COURIER**

Thomas S. Harman  
Chief Counsel  
Office of the Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
Mail Stop 10-6  
450 Fifth Street, N.W.  
Washington, DC 20549

Item 5(c) to Form N-1A, Adopted  
Pursuant to Release No. 33-6988

Re: Frank Russell Investment Company  
File No. 33-71299

Dear Mr. Harman:

On behalf of Frank Russell Investment Company (the "Fund"), we respectfully request a letter from the Staff ("Staff") of the Securities and Exchange Commission ("Commission") stating that the Staff will not recommend any enforcement action to the Commission if after July 1, 1993, the Fund makes the disclosures described herein with respect to any of its current or future Portfolios, as defined below, in response to Item 5(c) of Form N-1A. In a recent telephone call, Brian P. Kindelan of Stradley, Ronon, Stevens & Young, counsel to the Fund, discussed Release No. 33-6988 (April 6, 1993) (the "Adopting Release") with Robert Plaze of the SEC Staff and was informed that the Staff considered comment letters from funds, such as the Fund, which may be uniquely impacted by the Adopting Release, but that the Staff decided to address the concerns of such funds on a case-by-case basis rather than in the context of a generic release.<sup>1</sup> We understand from this telephone conversation that a no-action request on behalf of the Fund is the appropriate approach to address the Fund's concerns.

**BACKGROUND**

The Fund is a diversified open-end management investment company established as a Massachusetts business trust and registered with the Commission under the Investment Company Act of 1940 (the "1940 Act"). The Fund's Declaration of Trust permits the

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<sup>1</sup>Frank Russell Investment Management Company submitted on behalf of the Fund a comment letter dated March 9, 1990, to Jonathan G. Katz with respect to the proposing release, Release No. 33-6850 (January 8, 1990).

Fund to offer separate series of units of beneficial interest ("Shares"). Each Share of each series represents an equal proportionate interest in that series with each other Share of that series. The Fund currently has established 22 series: Equity I, Equity II, Equity III, Equity Q, International, Emerging Markets, Fixed Income I, Fixed Income II, Fixed Income III, Money Market, Diversified Equity, Special Growth, Equity Income, Quantitative Equity, International Securities, Real Estate Securities, Diversified Bond, Volatility Constrained Bond, Multistrategy Bond, Limited Volatility Tax Free, U.S. Government Money Market and Tax Free Money Market (collectively, "the Portfolios"). The Fund's distributor is Russell Fund Distributors, Inc., a wholly-owned subsidiary of Frank Russell Investment Management Company ("FRIMCo"), which is in turn a wholly-owned subsidiary of Frank Russell Company ("Frank Russell").

The Fund is structured and operates in a manner which differs from that of a conventional registered investment company. Rather than operate with a single investment adviser, the Fund employs multiple advisers. It is this unconventional, multiple manager structure which causes us to ask for the Staff's concurrence in our interpretation of Item 5(c) of Form N-1A, which was recently added by the Commission in the Adopting Release.

FRIMCo is the Fund's investment adviser within the meaning of Section 2(a)(20) of the 1940 Act, and provides the Fund, pursuant to a written advisory agreement, with the management and administrative services necessary for a registered investment company to operate on an ongoing basis. FRIMCo's services include the evaluation, selection (subject to the approval of the Fund trustees, including a majority of the Fund's disinterested trustees) and monitoring of investment advisers which make the specific portfolio investments for each of the Portfolios (collectively, "the Portfolio Managers"). FRIMCo enters into a sub-advisory agreement (subject to the approval of the Fund trustees, including a majority of the Fund's disinterested trustees) with each Portfolio Manager.

Currently, FRIMCo has engaged on behalf of the Fund 33<sup>2</sup> individual Portfolio Managers, each of which has discretionary authority to invest the assets of a portion of a particular Portfolio. The Portfolio Managers are selected by FRIMCo based primarily upon the research and recommendations of Frank Russell, which evaluates, qualitatively and quantitatively, Portfolio Managers' skills and investment results in managing assets for specific asset classes, investment styles and strategies. Short-term investment performance, by itself, is not a controlling factor in selecting or terminating a Portfolio Manager. FRIMCo sets the Portfolio's investment strategies, and guides and directs the Portfolio Manager to assure compliance with the Portfolio's investment objectives, policies and restrictions. For brief periods of time in connection with Portfolio Manager changes, FRIMCo may exercise specific investment discretion (*i.e.*, individual Portfolio securities selection) responsibility for one or more of the Portfolios. FRIMCo is also authorized to

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<sup>2</sup>26 of the Portfolio Managers manage one or more Portfolios in one or more prospectus.

(i) exercise investment discretion or select a Portfolio Manager to exercise investment discretion for Portfolio assets assigned to a "liquidity portfolio" which is used to create temporarily an equity exposure for cash balances until those balances are invested; and (ii) exercise investment discretion for "quality core portfolios" which are used to control a Portfolio's aggregate risk and adhere more closely to a Portfolio's investment objectives, restrictions and policies. FRIMCo currently exercises investment discretion with respect to the liquidity portfolio but not with respect to quality core portfolios. FRIMCo also has developed an internal investment staff to advise and invest assets of the Money Market and U.S. Government Money Market Portfolios.

The Fund's unconventional structure and method of operation results in the Fund's shareholders being substantially uninterested in detailed information about the Portfolio Managers. When a shareholder decides to invest in a Portfolio, he or she has made a decision to rely upon FRIMCo's expertise to evaluate, select and monitor the Portfolio Managers. Shareholders expect and rely upon FRIMCo to monitor changes in the Portfolio Managers, including changes in key personnel, and to retain or terminate the Portfolio Manager as necessary.

Consistent with the multiple manager structure of the Fund, the Fund believes that the additional disclosure required by Item 5(c) with respect to all persons who are "primarily responsible for the day-to-day management of the fund's portfolio," should be given with respect to FRIMCo employees who make such a primary contribution. Shareholders have selected FRIMCo to evaluate, select and monitor the Portfolio Managers and new disclosure in response to Item 5(c) should inform shareholders which FRIMCo employees are primarily responsible for these tasks. The Fund does not believe that the purpose of Item 5(c) will be significantly advanced by providing such additional disclosure with respect to Portfolio Manager employees. In addition, as described in more detail below, disclosure about Portfolio Manager employees would be very lengthy (which would tend to obscure disclosure which is important to shareholders) and would be quite expensive, which again would be a detriment to shareholders since these significant costs would adversely affect the performance of the Portfolios.

## **DISCUSSION**

### **The Adopting Release and New Item 5(c)**

In the Adopting Release, the Commission adopted rule and form amendments under the Securities Act of 1933 and the Investment Company Act of 1940 to improve disclosure of the performance of open-end management investment companies in their prospectuses and annual reports to shareholders. One of the changes adopted by the Commission was an amendment to Form N-1A to add new Item 5(c) which will require a fund to disclose the "name and title of the person or persons employed by or associated with the [fund or its

1. A minimum of 16 additional pages of prospectus disclosure (8 in one prospectus, and 8 in the second prospectus) (assuming 3 "primarily responsible" employees per Portfolio Manager times 33 Portfolio Managers times 1 paragraph per person and 12 paragraphs per page). This is a 23% and a 20% increase, respectively, in the size of the Fund's two prospectuses.
2. A minimum of 10 stickers to reflect changes in "primarily responsible" individual employees.<sup>6</sup>
3. Items 1 and 2 above are in addition to one-half page of disclosure consistent with Item 5(c) with respect to the approximately 5 FRIMCo employees primarily responsible for the monitoring of Portfolio Managers and the management of the liquidity portfolio.

In addition to the confusion such lengthy and unnecessary disclosure would cause, if Item 5(c) is interpreted to apply to the Portfolio Managers, the Fund's additional printing and mailing costs per annum would be approximately \$117,593 (assuming \$.42 to print and mail each sticker and \$.06 additional printing costs per prospectus.)

### **Proposed Solution**

To avoid this very onerous and unnecessary impact on multi-manager funds such as the Fund, and to avoid the confusion that the addition of such lengthy and unnecessary disclosure would cause shareholders, the Fund proposes to: (i) make disclosure in its prospectus consistent with Item 5(c) with respect to FRIMCo employees who are primarily responsible for the day-to-day selection, evaluation and monitoring of the Portfolio Managers or who are primarily responsible for the day-to-day management of the liquidity portfolio, quality core portfolios and any future programs pursuant to which FRIMCo exercises investment discretion over the selection of individual Portfolio securities; and (ii) continue to identify in its prospectuses all Portfolio Managers and continue to sticker its prospectuses to reflect any changes in Portfolio Managers. This disclosure would permit potential investors to assess the background and experience of those persons who set Portfolio investment strategies and who guide and direct Portfolio Managers to assure compliance with a Portfolio's investment objectives, policies and restrictions.

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<sup>6</sup>The Fund already stickers all Portfolio Manager firm changes (*i.e.*, an estimated 11 stickers for any one year.) The 10 stickers noted here would be additional stickers to disclose changes in individuals within each Portfolio Manager.

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May 28, 1993

**VIA FACSIMILE AND OVERNIGHT COURIER**

Martha H. Platt  
Senior Attorney  
Division of Investment Management  
Securities and Exchange Commission  
Mail Stop 10-6  
450 Fifth Street  
Washington, D.C. 20549

Re: Frank Russell Investment Company  
File No. 33-71299

Dear Ms. Platt:

Thank you for your timely response to Frank Russell Investment Management Company's no-action letter request dated May 6, 1993. During our telephone conversation on May 14, 1993 you requested further clarification and information on the four issues outlined below:

1. **No-Action Letter, Page 6, Proposed Solution, (ii):** Clarification of the number of Frank Russell Investment Management Company ("FRIMCo") employees responsible for each of the 22 Frank Russell Investment Company ("FRIC") portfolios.
2. **External Fee Fund Prospectus, The Money Managers:** Clarification of the frequency of reallocation of a fund's assets among money managers and the frequency of the termination of money managers.
3. **No-Action Letter, Page 5, Impact on the Fund:** Detail of the number of money managers terminated and hired within the last four years for each of the 22 FRIC portfolios.
4. **External Fee Fund Prospectus, The Money Managers:** Reconciliation of the following statement in the prospectus: "each money manager has complete discretion to purchase and sell portfolio securities for its segment of a fund within

Thomas S. Harman

May 6, 1993

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Accordingly, we respectfully request that the Staff advise us that it will not recommend any enforcement action to the Commission if after July 1, 1993, the Fund makes disclosure in its prospectuses as described above in response to Item 5(c) of Form N-1A. If the Staff intends to issue a response that is adverse to this request, we respectfully further request the opportunity of a telephone conference prior to the issuance of such a response. Finally, since the effective date of this new disclosure requirement is July 1, 1993, and will apply to any post-effective amendment of the Fund filed after that date, we respectfully request an expedited review of this request. If you have any questions regarding this request, please do not hesitate to contact the undersigned at (206) 596-2406 or Deedra Smith at (206) 591-3537.

Sincerely,



Thomas A. Early  
Associate General Counsel  
Chief Financial Services Counsel

cc: Karl J. Ege, Esq.  
Deedra A. Smith, Esq.

Please refer to: Deedra Smith  
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June 2, 1993

**VIA FACSIMILE AND OVERNIGHT COURIER**

Martha H. Platt  
Senior Attorney  
Division of Investment Management  
Securities and Exchange Commission  
Mail Stop 10-6  
450 Fifth Street  
Washington, D.C. 20549

Re: Frank Russell Investment Company  
File No. 33-71299

Dear Ms. Platt:

Pursuant to my letter of May 28, 1993 (a copy of which is attached), please accept the following as documentation in response to item 3 which was unavailable in my previous correspondence.

Clarification of the Frequency of Reallocation of a Fund's Assets Among Portfolio Managers

For the period 1992-1993, FRIMCo has not reallocated assets among Portfolio Managers. FRIMCo employees daily monitor the established ratio of assets among Portfolio Managers and allocate additional investments or redemption requests to maintain the established ratios.

Ms. Martha H. Platt  
May 28, 1993  
Page 2

the fund's investment objectives, restrictions and policies, and the more specific strategies developed by Frank Russell Company and Management Company" with the final sentence on page 6 of the no-action letter which reads "This disclosure will permit potential investors to access the background experience of those persons who set portfolio investment strategies and who guide and direct portfolio managers to assure compliance with a portfolio's investment objectives, policies and restrictions."

Clarification of Number of FRIMCo Employees Responsible For Each of the FRIC Portfolios

There are five FRIMCo employees responsible for the review of the 22 FRIC portfolios. Each of these five employees has responsibilities which relate to each of the 22 portfolios.

Clarification of the Frequency of Reallocation of a Fund's Assets Among Portfolio Managers

FRIMCo is currently in the process of documenting the reallocation of assets among Portfolio Managers for each of the 22 FRIC portfolios for the period 1992-1993. Rather than delay your receipt of the other information you requested I will forward this information to your attention as soon as it is available. I expect the documentation to be complete early next week.

Detail of the Number of Portfolio Managers Terminated and Hired Within the Last Four Years for Each of the FRIC<sup>1</sup> Portfolios

<u>Portfolio</u>	<u>Year</u>	<u>Number of Managers Terminated</u>	<u>Number of Managers Hired</u>
Equity I	1989	0	0
Equity I	1990	3	2
Equity I	1991	3	4
Equity I	1992	1	1
Equity II	1989	1	1
Equity II	1990	2	2
Equity II	1991	0	0
Equity II	1992	0	0

<sup>1</sup>Detail for money markets portfolio is not included since Release 33-698 (April 6, 1993) does not require disclosure about individual managers of money market funds; detail for Emerging Markets, Fixed Income III and Multistrategy Bond portfolios is not included because portfolios commenced operation in November 1992.

Portfolio	Year	Number of Managers Terminated	Number of Managers Hired
Equity III	1989	0	0
Equity III	1990	1	0
Equity III	1991	0	0
Equity III	1992	0	0
Equity Q	1989	1	1
Equity Q	1990	0	0
Equity Q	1991	0	0
Equity Q	1992	0	0
International	1989	0	0
International	1990	0	1
International	1991	0	0
International	1992	0	0
Fixed Income I	1989	3	3
Fixed Income I	1990	0	0
Fixed Income I	1991	0	0
Fixed Income I	1992	1	0
Fixed Income II	1989	0	0
Fixed Income II	1990	0	0
Fixed Income II	1991	0	0
Fixed Income II	1992	2	4
Diversified Equity	1989	0	0
Diversified Equity	1990	3	2
Diversified Equity	1991	3	4
Diversified Equity	1992	1	1
Special Growth	1989	1	1
Special Growth	1990	2	2
Special Growth	1991	0	0
Special Growth	1992	0	0
Equity Income	1989	0	0
Equity Income	1990	1	0
Equity Income	1991	0	0
Equity Income	1992	0	0
Quantitative Equity	1989	1	1
Quantitative Equity	1990	0	0
Quantitative Equity	1991	0	0
Quantitative Equity	1992	0	0

Portfolio	Year	Number of Managers Terminated	Number of Managers Hired
Int'l Securities	1989	0	0
Int'l Securities	1990	0	1
Int'l Securities	1991	0	0
<u>Int'l Securities</u>	<u>1992</u>	<u>0</u>	<u>0</u>
Diversified Bond	1989	3	3
Diversified Bond	1990	0	0
Diversified Bond	1991	0	0
<u>Diversified Bond</u>	<u>1992</u>	<u>1</u>	<u>0</u>
Volatility Constrained	1989	0	0
Volatility Constrained	1990	0	0
Volatility Constrained	1991	0	0
<u>Volatility Constrained</u>	<u>1992</u>	<u>2</u>	<u>4</u>
Real Estate Sec.	1989	0	1
Real Estate Sec.	1990	0	0
Real Estate Sec.	1991	0	0
<u>Real Estate Sec.</u>	<u>1992</u>	<u>0</u>	<u>0</u>
Limited Volatility	1989	0	0
Limited Volatility	1990	0	0
Limited Volatility	1991	0	0
<u>Limited Volatility</u>	<u>1992</u>	<u>0</u>	<u>0</u>

In addition, the ownership of at least 5 Portfolio Managers has changed during the last four years. In those instances in which the change in ownership constitutes an assignment of the sub-advisory agreement, the Portfolio Manager executes a new sub-advisory agreement and the Prospectuses are stickered to indicate the change. Ownership changes may be accompanied with changes in key personnel.

Clarification of the Role of FRIMCo Employees in Establishing Portfolio Strategies

The Prospectus disclosure under The Money Managers and the final sentence of the "Proposed Solution" paragraph of the no-action letter request are not conflicting. FRIMCo determines overall investment strategies and investment objectives, restrictions and policies for each Portfolio. As noted in The Money Managers section of the Prospectus, each Portfolio Manager has complete discretion to purchase and sell portfolio securities within the Portfolio's investment objectives, restriction and policies. FRIMCo sets portfolio investment strategies and guides and directs managers in three distinct ways:

- a) FRIMCo recommends to the FRIC Board of Trustees any necessary changes to the investment objectives, policies and restrictions of each portfolio.

Ms. Martha H. Platt  
May 28, 1993  
Page 5

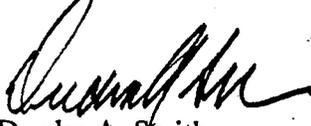
b) FRIMCo monitors the performance of each portfolio, reviews the continued appropriateness of a Portfolio Manager's style, and reallocates assets among Portfolio Managers. For example, on limited occasions, FRIMCo may limit a Portfolio Manager's foreign country exposure when inappropriate for a portfolio's objective. Further, FRIMCo may terminate a Portfolio Manager because the manager's style is determined to be inappropriate for the portfolio's objective.

c) FRIMCo monitors and evaluates Portfolio Managers both qualitatively and quantitatively to ensure the manager is satisfying expectations. Termination and replacement of Portfolio Managers is demonstrated in 3 above.

As a result of FRIMCo's involvement in portfolio strategies in these three ways it is the experience and background of FRIMCo employees that is most beneficial to investor education. FRIMCo's continual evaluation and monitoring of Portfolio Managers results in termination of Portfolio Managers and hiring of replacement managers when appropriate. Investors rely upon FRIMCo to change Portfolio Managers if a manager has a change in personnel which may impact performance. It is this expertise and experience which investors rely upon when choosing FRIC's unique investment style, not the experience of the individual Portfolio Manager's employees.

If you have any questions or desire further clarification regarding this letter, please do not hesitate to contact the undersigned at (206) 591-3537 or Thomas A. Early at (206) 596-2406.

Sincerely,



Deedra A. Smith  
Staff Counsel

cc: Thomas S. Harman, Chief Counsel, Division of Investment Management  
Karl J. Ege, Esq.  
Thomas A. Early, Esq..

Ms. Martha H. Platt  
June 2, 1993  
Page 2

If you have questions or desire further clarification regarding this letter, please do not hesitate to call me at (206) 591-3537 or Thomas A. Early at (206) 596-2406.

Sincerely,



Deedra A. Smith  
Staff Counsel

cc: Thomas S. Harman, Chief Counsel, Division of Investment Management  
Karl J. Ege, Esq.  
Thomas A. Early, Esq.