ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Russell Canadian Equity Class

JUNE 30, 2011

This annual management report of fund performance contains financial highlights but does not contain the complete audited annual financial statements of the Class. You may also obtain an additional copy of the annual management report of fund performance and the annual financial statements by visiting our website or SEDAR's website at www.sedar.com. You can request a copy of the Class's proxy voting policies and procedures, proxy voting record or quarterly portfolio disclosure at no cost by: calling 1-888-509-1792; visiting our website at www.russell.com/ca; or writing to us at: Russell Investments Canada Limited, 100 King Street West, 1 First Canadian Place, Suite 5900, Toronto, Ontario M5X 1E4.

This report may contain forward-looking statements about the Class, its strategy, expected performance and condition. Forward-looking statements are statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risk, uncertainties and assumptions about the Class and economic factors. Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Class. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress the above-mentioned list is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Class has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

Russell Canadian Equity Class

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Investment objective and strategies

The Class's investment objective is to provide income and long-term capital appreciation primarily through exposure to equity securities of Canadian issuers listed on recognized stock exchanges.

To achieve this objective, the Class invests in units of the Russell Canadian Equity Pool (the "Underlying Fund").

The Class's investment in the Underlying Fund provides access to diversification that allocates among asset classes, investment styles and sub-advisers.

The current benchmark of the Class, against which its performance is compared, is the S&P/TSX Capped Composite Index ("Benchmark"). Each sub-adviser may have a different sub-adviser benchmark allocated to it in respect of the assets of the Underlying Fund managed by that sub-adviser that better reflects the investment style or market segment of that sub-adviser.

Results of operations

For the twelve-month reporting period ending June 30, 2011, the Russell Canadian Equity Class (the Class) returned 18.02%*, while its Benchmark, the S&P/TSX Capped Composite Index, returned 20.87%.

During the reporting period, the Class's net assets increased by $15.4 million, as a result of a $12.0 million gain relating to investment holdings, net subscriptions of $4.5 million and a net investment loss of $1.1 million. Net investment loss is comprised of total investment income earned by securities less the expenses of the Class. The Class's total investment income for this period was $0.4 million compared with total investment income of $0.03 million in the previous reporting period. The main contributor to this change is $0.4 million income distributions from the Underlying Fund compared with no distributions in the previous reporting period. The Class's expenses increased by $0.4 million (approximately 37%) from the previous period's expenses. The increase is mainly due to an increase in management fees paid as a result of the higher net assets of the Class and the implementation of the Harmonized Sales Tax (HST) on July 1, 2010.

Equity market performance was varied but positive for the reporting period. Healthy gains were posted during the second half of 2010 as confidence in the global economic recovery strengthened and investors favoured riskier assets. However, the first half of 2011 presented some unique challenges for capital markets. Investor confidence in the global economic recovery was put to the test as a confluence of events, ranging from geopolitical unrest in North Africa and the Middle East, supply shocks from the Japanese earthquake and its subsequent nuclear disaster, weaker-than-expected economic data from the United States and a further deterioration in the Euro zone's sovereign debt crisis, led to a general sell-off of higher risk securities. During May and June, commodity prices lost much of their gains from the first quarter; most notable was the price of oil, which fell to USD$95 per barrel from a high of USD$113 per barrel. Fears of slowing global growth and economic uncertainty negatively affected cyclical or economy-sensitive stocks (those that tend to do well when there is an expectation for the economy to improve) along with commodity-related securities and markets, such as Canada. In this environment, investors favoured both defensive and dividend-paying stocks.

For the reporting period, overall stock selection was generally beneficial to the Underlying Fund's performance. The largest contribution to performance came from the Materials sector, most notably stock selection within the gold sub-industry. Within the Consumer Discretionary sector, an overweight to auto-parts maker Magna International Inc., and an overweight to the Technology sector, and in particular the shares of Open Text Corporation and CGI Group Inc., added to returns for the period. Tempering the Underlying Fund's performance was an underweight to the Healthcare sector and ineffective stock selection within the Energy sector.

Three out of the Underlying Fund's five sub-advisers outperformed the Benchmark for the reporting period, with those sub-advisers that focus on finding high-quality companies exhibiting earnings growth and trading at attractive prices performing best. Foyston, Gordon & Payne Inc. was the top performing sub-adviser during the reporting period, benefiting from its disciplined stock selection and value-oriented, quality focused approach to investing. Foyston's sector allocation generally detracted from performance for the period, however stock selection overall was strong, with the largest gains in the Materials sector. Having no exposure to gold shares and an overweight to fertilizer and agricultural chemicals stocks significantly added to Foyston's outperformance. Additionally, the overweight to diversified metals and mining shares and positive sector positioning and stock selection within the Telecommunication Services sector was beneficial. Tempering results was an underweight to the Healthcare sector and ineffective security selection within the Financial Services sector, specifically an overweight to a select group of life and health insurance holdings. Despite having an overweight to Research In Motion Limited, Foyston's other technology holdings, specifically CGI Group Inc. and Open Text Corporation, helped counter the negative performance of the communications equipment maker.

Sub-adviser Picton Mahoney Asset Management outperformed its benchmark during the reporting period, benefiting from positive stock selection, most notably within the Information Technology and Energy sectors. Picton's focus on companies demonstrating solid earnings growth relative to the market and those revising their earnings estimates upwards led them to overweight CGI Group Inc. and oil and gas exploration and production shares, specifically Baytex Energy Corp. and Trilogy Energy Corp. which were key contributors to positive performance. In addition, stock selection within the Materials sector, notably the overweight to Labrador Iron Ore Royalty Corporation, and an underweight to, and positive stock selection within, the gold sub-industry generated excess returns. Tempering Picton's performance for the period was an overweight to the Consumer Discretionary sector and an underweight to the Healthcare sector.

Aurion Capital Management Inc. outperformed its benchmark for the reporting period as its focus on owning stocks that exhibit superior growth potential at prices in line with the overall market yielded positive results. Although sector positioning negatively affected Aurion's performance, this was more than offset by Aurion's strong stock selection for the period. Stock selection within the Materials and Financial Services sector was a major contributor to Aurion's outperformance, in particular the overweight to Kinross Gold Corporation and B2Gold Corp., and an underweight to Bank of Montreal. Detracting from Aurion's performance for the period was an overweight to a select group of oil and gas exploration and production shares as well as Sino-Forest Corporation and Research In Motion Limited.

Greystone Managed Investments Inc. underperformed its benchmark largely as a result of stock selection in commodity-related sectors, such as Materials and Energy. Specifically, stock selection within the gold, fertilizers and agricultural chemicals and forest products sub-industries detracted, most notably the overweight to Eldorado Gold Corporation, Kinross Gold Corporation, and Sino-Forest Corporation. Furthermore, unfavourable sector positioning and stock selection within the Industrials and Telecommunications Services sectors, negatively affected Greystone's performance. On the positive side, the overweight to, and positive stock selection, within the Healthcare sector, in combination with favourable stock selection within the Information Technology, Financial Services and Consumer Discretionary sectors added value.

Goodman & Company, Investment Counsel Ltd., underperformed all other sub-advisers during the reporting period. Goodman's overweight to commodities and areas of the market expected to benefit from economic growth, such as the Information Technology sector and emerging markets strength, was unrewarded during the period. Goodman's sector positioning and stock selection were largely ineffective. The major detractors to performance were sector positioning to, and stock selection within, the Energy, Materials and Financial Services sectors, including the overweight to Sino-Forest Corporation, Niko Resources Ltd. and certain U.S. banks.

* Based on the performance of Series B shares net of all fees and expenses paid by the Class. The return for Series E and Series F shares were 18.73% and 19.97% respectively. The returns of the Series of shares may differ as a result of varying fees and expenses. Please refer to the Series Description & Management Fees section for more details.

Russell Canadian Equity Class

Annual management report of fund performance

Risk

The overall risks of the Class are described in the prospectus. During the reporting period, there have been no changes to the Class that have materially affected the Class's risk profile. The Class's risk profile and the suitability of the investment remain as disclosed in the prospectus.

However, effective June 29, 2011 and as described in the Class's prospectus, the Russell Funds adopted a fund risk rating methodology recommended by the Investment Funds Institute of Canada (IFIC) to ensure consistency with the requirements of new National Instrument 81-101F3 "Mutual Fund Prospectus Disclosure - Contents of Fund Facts Document." Accordingly, the risk rating for the Class was changed from "average" to "medium" to match with IFIC's risk rating methodology and terminology.

Recent developments

On July 1st, 2010 British Columbia and Ontario adopted the Harmonized Sales Tax (HST) of 12% and 13% respectively. The Class is now required to pay an additional provincial tax on management fees and all operating expenses with the exception of filing fees. The levying of the HST is based on the province of the unitholders' residence. As such the Class is applying a blended HST rate based on the weighted average number of unitholders in each province for each Series in the Class. The HST is expected to result in an increase in the Class's management expense ratio.

During the reporting period, the allocation of the Underlying Fund to sub-adviser Greystone Managed Investments Inc. was reduced and the percentage allocation to the other sub-advisers to the Underlying Fund was increased. Greystone's role as a sub-adviser focused on defensive stocks that offer growth potential at a reasonably valued share price will continue but at a reduced weight. As of June 30, 2011, the sub-adviser allocations to the Underlying Fund are:

- Foyston, Gordon & Payne Inc. – 31%
- Picton Mahoney Asset Management – 28%
- Aurion Capital Management Inc. – 21%
- Goodman & Company, Investment Counsel Ltd. – 12%
- Greystone Managed Investments Inc. – 8%

International Financial Reporting Standards (IFRS) will replace Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises, which includes investment funds and other reporting issuers. On January 12, 2011, the Canadian Accounting Standards Board (ASB) made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 1, 2013, which results in a two-year deferral for the adoption of IFRS compared with other publicly accountable entities. In preparation for meeting IFRS requirements, the Manager has taken the following steps:

- Established a working group to identify key differences between Canadian GAAP and IFRS, and to coordinate the transition to IFRS
- Identified areas where changes in disclosure will be required under IFRS standards
- Evaluated current information technology and reporting systems for IFRS readiness
- Assessed the likely effects on business activity and operational areas, such as internal controls, staffing and training requirements

Based on the current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is expected to have no effect on the calculation of net assets or net asset value. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. However, the Manager's current assessment of the effect of IFRS may change if new standards are issued or if the interpretations of current standards are revised.

Related party transactions

Manager, Portfolio Manager and Principal Distributor

The Class is managed by Russell. Russell is a wholly owned subsidiary of Frank Russell Company ("FRC").

Russell provides or arranges for the provision of all general management and administrative services required by the Class in its day-to-day operations, including providing or arranging for the provision of investment advice, as well as bookkeeping, record-keeping and other administrative services for the Class.

Russell is the portfolio manager of the Class (the "Portfolio Manager"). Russell has entered into sub-adviser agreements with FRC and Russell Implementation Services Inc. ("RIS"), an affiliate, to provide services to theClass.

Russell also serves as distributor of the Fund and has exclusive rights to distribute and arrange for the distribution of shares of the Class on a continuous basis in all provinces and territories in Canada in which shares of the Class are qualified for sale.

Russell receives a monthly management fee, based on the average net asset value of each series of shares of the Class, calculated daily and payable monthly.

Series description

The Class offers the following series of shares: Series B, E, F.

Series B shares have an annual management fee. The dealer is paid a trailer fee out of this management fee. Series E shares have a lower management fee. The dealer is paid a trailer fee out of this management fee.

Series F shares are sold only to investors enrolled in a fee-for-service or wrap program. These shares have a reduced management fee and do not pay trailer fees to the dealer. Instead, each investor negotiates a separate, ongoing fee that is paid directly to their dealer.

Management fees

The annual management fee paid by the Class is a percentage of the average daily net asset value of each series exclusive of any applicable taxes and operating expenses. The percentage is set out below:

Series B	Series E	SeriesF
2.50%	1.85%	1.00%

From these management fees, Russell pays other service providers, including distributors and sub-advisers. The major services expressed as a percentage are set out below.

	Percentage of management fees
Trailing and sales commissions	48%
Portfolio Manager expenses & other fees	52%

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Financial highlights

The following tables show selected key financial information about the Class and are intended to help you understand the Class's financial performance for the years ended June 30.

The Class's net assets per share[1]

Series B	2011	2010	2009*
Net Assets, beginning of period	$ 12.31	$ 11.35	$ 10.00
Increase (decrease) from operations			
Total revenue	$ 0.09	$ -	$ -
Total expenses	$ (0.40)	$ (0.34)	$ (0.18)
Realized gains (losses) for the period	$ 0.62	$ 0.58	$ 0.22
Unrealized gains (losses) for the period	$ 1.87	$ 0.50	$ 3.01
Total increase (decrease) from operations[2]	**$ 2.18**	**$ 0.74**	**$ 3.05**
Distributions			
From income (excluding dividends)	$ -	$ -	$ -
From dividends	$ (0.09)	$ -	$ -
From capital gains	$ -	$ -	$ -
Return of capital	$ -	$ -	$ -
Total annual distributions[3]	**$ (0.09)**	**$ -**	**$ -**
Net Assets at end of the period	**$ 14.44**	**$ 12.31**	**$ 11.35**

Series E	2011	2010**
Net Assets, beginning of period	$ 10.80	$ 10.00
Increase (decrease) from operations		
Total revenue	$ 0.08	$ -
Total expenses	$ (0.26)	$ (0.21)
Realized gains (losses) for the period	$ 0.60	$ 0.53
Unrealized gains (losses) for the period	$ 0.89	$ (0.50)
Total increase (decrease) from operations[2]	**$ 1.31**	**$ (0.18)**
Distributions		
From income (excluding dividends)	$ -	$ -
From dividends	$ (0.08)	$ -
From capital gains	$ -	$ -
Return of capital	$ -	$ -
Total annual distributions[3]	**$ (0.08)**	**$ -**
Net Assets at end of the period	**$ 12.74**	**$ 10.80**

Series F	2011	2010	2009*
Net Assets, beginning of period	$ 12.70	$ 11.50	$ 10.00
Increase (decrease) from operations			
Total revenue	$ 0.09	$ -	$ -
Total expenses	$ (0.17)	$ (0.14)	$ (0.07)
Realized gains (losses) for the period	$ 0.65	$ 0.58	$ 0.22
Unrealized gains (losses) for the period	$ 1.88	$ 0.75	$ 2.97
Total increase (decrease) from operations[2]	**$ 2.45**	**$ 1.19**	**$ 3.12**
Distributions			
From income (excluding dividends)	$ -	$ -	$ -
From dividends	$ (0.09)	$ -	$ -
From capital gains	$ -	$ -	$ -
Return of capital	$ -	$ -	$ -
Total annual distributions[3]	**$ (0.09)**	**$ -**	**$ -**
Net Assets at end of the period	**$ 15.14**	**$ 12.70**	**$ 11.50**

* From October 27, 2008 to June 30, 2009
** From July 20, 2009 to June 30, 2010
(1) This information is derived from the Class's audited annual financial statements.
(2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/ decrease from operations is based on the weighted average number of shares outstanding over the financial period.
(3) Distributions were reinvested in additional shares of the Class, unless the investor requested payment in cash.

Ratios and supplemental data

Series B	2011	2010	2009*
Total net asset value (000's)[1]	$ 42,695	$ 35,103	$ 24,057
Number of shares outstanding[1]	2,956,829	2,851,211	2,119,445
Management expense ratio[2]	2.87%	2.73%	2.67%
Management expense ratio before waivers or absorptions	2.97%	3.07%	3.01%
Trading expense ratio (%)[3]	0.25%	0.24%	0.20%
Portfolio turnover rate (%)[4]	16.22%	19.40%	18.30%
Net asset value per share	**$ 14.44**	**$ 12.31**	**$ 11.35**

Series E	2011	2010**
Total net asset value (000's)[1]	$ 4,023	$ 1,402
Number of shares outstanding[1]	315,705	129,793
Management expense ratio[2]	2.20%	2.05%
Management expense ratio before waivers or absorptions	2.30%	2.33%
Trading expense ratio (%)[3]	0.25%	0.24%
Portfolio turnover rate (%)[4]	16.22%	19.40%
Net asset value per share	**$ 12.74**	**$ 10.80**

Series F	2011	2010	2009*
Total net asset value (000's)[1]	$ 25,941	$ 20,754	$ 17,795
Number of shares outstanding[1]	1,713,698	1,634,612	1,547,899
Management expense ratio[2]	1.23%	1.16%	1.10%
Management expense ratio before waivers or absorptions	1.33%	1.44%	1.44%
Trading expense ratio (%)[3]	0.25%	0.24%	0.20%
Portfolio turnover rate (%)[4]	16.22%	19.40%	18.30%
Net asset value per share	**$ 15.14**	**$ 12.70**	**$ 11.50**

* From October 27, 2008 to June 30, 2009
** From July 20, 2009 to June 30, 2010
(1) The information is provided as at June 30 of the year shown.
(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) including expenses indirectly incurred as a result of the Class's investment in the Underlying Fund(s), for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. The calculation of the trading expense ratio requires an investment fund that invests in securities of other investment funds to calculate the trading expense ratio by including commissions and other portfolio transaction costs that are attributable to its investment in each of the underlying investment funds.
(4) The Class's portfolio turnover rate indicates how actively the Class's portfolio adviser manages its investments. A portfolio turnover rate of 100% is equivalent to the Class buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Past performance

The past performance shows historical performance information for each series of shares of the Class. This information is provided to show past performance only and is not necessarily indicative of what may happen in the future.

The past performance information assumes that all distributions were re-invested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser that would have reduced returns or performance. Even if your distributions are reinvested you may have to pay tax on those distributions. Please consult your tax adviser.

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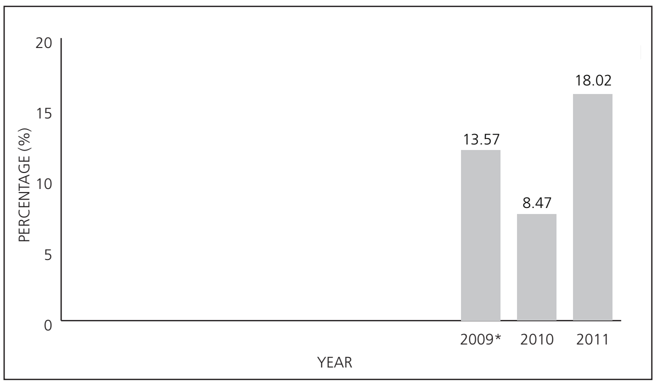
Year-by-year returns

The following charts show the annual performance of each series of shares for each of the years ended June 30. The start date used in this Past Performance section is the date the series were first made available to the public, whereas, the start date disclosed in the Financial Highlights section, is the formation date.

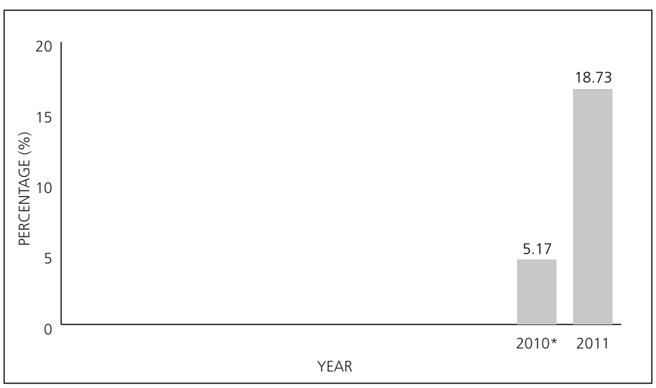
The charts also illustrate how the Class's performance has changed from year to year, and show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Year-by-year returns – Series B



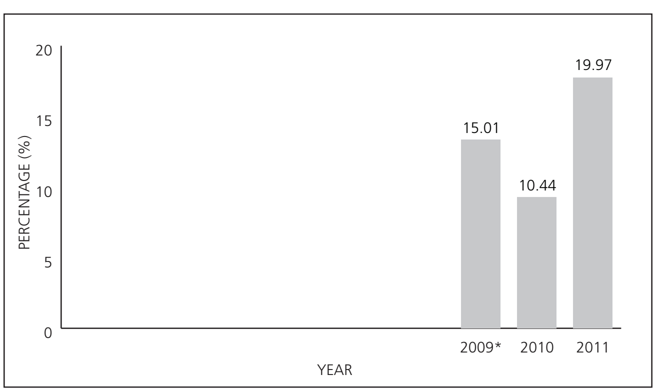
*From October 31, 2008 to June 30, 2009 (not annualized)

Year-by-year returns – Series E



*From July 31, 2009 to June 30, 2010 (not annualized)

Year-by-year returns – Series F



*From October 31, 2008 to June 30, 2009 (not annualized)

Annual compound returns

The tables show the historical annual compound total returns of the shares of the Class compared to the S&P/TSX Capped Composite Index ("Benchmark").

Period ending June 30, 2011

Annual Compound Returns	Since October 31, 2008	Last year
Series B shares(1)	15.09%	18.02%
Series F shares(1)	17.14%	19.97%
S&P/TSX Capped Composite Index(2)	15.73%	20.87%

Period ending June 30, 2011

Annual Compound Returns	Since July 31, 2009	Last year
Series E shares(1)	12.30%	18.73%
S&P/TSX Capped Composite Index(2)	14.61%	20.87%

(1) Net of all fees and expenses paid by the Class.

(2) The S&P/TSX Capped Composite Index is a broad economic sector index which comprises approximately 70% of market capitalization for Canadian based, Toronto Stock Exchange listed companies. S&P/TSX Capped Composite Index includes all of the constituents of the S&P/TSX Composite Index but the relative weight of any single index constituents is capped at 10%. Source: TSX © Copyright 2011 TSX Inc. All Rights Reserved.

Performance commentary

For the period ended June 30, 2011 the Class returned 18.02% (Series B), while the Benchmark returned 20.87%. A discussion of the relative performance of the Class as compared to the Benchmark is contained in the Management Report of Fund Performance under Results of Operations.

The Benchmark is a composition of securities. It is not possible to invest directly in the Benchmark and the Benchmark does not have embedded expenses, fees or taxes. Any investment in securities requires the payment of fees and or expenses.

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Summary of investment portfolio

Top 25 holdings*	As at June 30, 2011
	Percentage of net asset value of the Class
Toronto-Dominion Bank	7.1%
Suncor Energy Inc.	4.9%
Royal Bank Of Canada	4.6%
Canadian Natural Resources Ltd.	3.9%
Canadian Imperial Bank Of Commerce	3.0%
Bank Of Nova Scotia	2.5%
Potash Corp Of Saskatchewan	2.5%
Goldcorp Inc.	2.2%
Agrium Inc.	2.2%
Bank Of Montreal	2.2%
Teck Resources Ltd.	1.7%
Magna Intl Inc.	1.5%
Rogers Communications Inc.	1.5%
Canadian Tire Corp Ltd.	1.4%
Sun Life Financial Inc.	1.4%
Imperial Oil Ltd.	1.4%
Research In Motion Ltd.	1.4%
Telus Corp.	1.3%
Inmet Mining Corp.	1.2%
Barrick Gold Corp.	1.2%
Canadian National Railway Co.	1.2%
Manulife Financial Corp.	1.2%
Husky Energy Inc.	1.2%
Open Text Corporation	1.2%
Methanex Corp.	1.2%
Net Asset Value (thousands of dollars)	**$72,637**

Note: The summary of investment portfolio may change due to ongoing portfolio transactions of the Underlying Fund. This list will be updated within 60 days of each quarter end and is available on our website-www.russell.com/ca. The prospectus and other information about the Underlying Fund is available at www.russell.com/ca or at www.sedar.com.

Sector weights*	As at June 30, 2011
	Percentage of net asset value of the Class
Financials	29.3%
Energy	26.6%
Materials	19.7%
Consumer Discretionary	5.9%
Industrials	5.4%
Information Technology	5.1%
Telecommunications Services	3.8%
Consumer Staples	2.4%
Health Care	1.7%
Utilities	0.1%

*These are the portfolio holdings and sector weights of the Russell Canadian Equity Pool, the Underlying Fund. The Class is exposed to these portfolio holdings and sector weights as a result of investing substantially all of its assets in units of the Underlying Fund.

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Russell Investments

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