

Russell Managed Yield 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 Managed Yield Class

Annual management report of fund performance

Investment objective and strategies

The investment objective of the Class is to provide a tax efficient return comparable to an effective diversification against equities. To achieve this investment objective, the Class will obtain exposure to, or at times invest principally in, fixed income securities of Canadian issuers. To obtain exposure, the Class will purchase a specified portfolio of Canadian equity securities and enter into derivative contracts under which it will forward sell or swap the Canadian securities in return for exposure to economic returns similar to that of the Russell Canadian Fixed Income Fund (the "Underlying Fund").

The current benchmark of the Class, against which its performance is compared, is the DEX Universe Bond 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 Managed Yield Class (the Class) returned 3.06%, while its Benchmark, the DEX Universe Bond Index, returned 4.67%.

During the reporting period, the Class's net assets increased by \$448.7 million, as a result of a \$21.6 million gain relating to investment holdings, net subscriptions of \$434.2 million and a net investment loss of \$7.1 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 \$0.6 million compared with total investment income of \$0.2 million in the previous reporting period. The Class's expenses increased by \$5.1 million (approximately 202%) from the previous period's expenses. The increases in both income and expenses during the reporting period are a result of the significant growth (148%) of the net assets of the Class.

Slower global growth, lower inflation expectations and heightened risk aversion related to the debt crisis in Greece helped the bond market post a positive return for the reporting period. Economic releases during the third quarter of 2010 indicated slower global growth and contained inflation. This pushed interest rates lower and resulted in healthy gains for bonds. However, in the fourth quarter of 2010, bond markets were challenged as more positive economic news renewed confidence in the economic recovery and put upward pressure on interest rates. During this period, investors traded in bond holdings in favour of higher risk equities. In Canada, fixed-income markets sold off during the last quarter of 2010 and first quarter of 2011 on the expectation that the economic recovery would gain pace. Early on, anticipation of mid-year interest rate increases had the effect of pushing bond yields higher. However, by April of 2011, investor sentiment dramatically changed as weak U.S. economic data, coupled with the ongoing Euro zone sovereign debt concerns, higher energy prices and Japanese supply constraints, indicated the potential for reduced consumption and growth ahead. As a result, fixed-income markets rallied during the second quarter of 2011. During the reporting period, the Bank of Canada raised its target overnight rate twice in July and September of 2010 and then held the target rate at 1.00% for the remainder of the reporting period.

The Underlying Fund underperformed the Benchmark over the reporting period. On the positive side, the Underlying Fund benefited from rising shorter-term rates and declining rates from longer term bonds. In addition, relative to the Benchmark, the Underlying Fund was overweight to corporate bonds, which outperformed government bonds for the period. Two areas where the Underlying Fund lagged the Benchmark were through its exposure to non-Canadian government bonds, as Canadian government bonds outperformed their U.S. government counterparts, and an underweight to Provincial government bonds.

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.

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.

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 Fund 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 Fund 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 Fund.

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

Russell also serves as distributor of the Fund and has exclusive rights to distribute.

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

* Based on the performance of Series B shares net of all fees and expenses paid by the Class. The returns for Series E, Series E-3, Series E-5, Series F, Series F-3, Series F-5, Series I-3, Series I-5, US Dollar Hedged Series B shares, US Dollar Hedged Series F shares and US Dollar Hedged Series I-5 shares were 3.17%, 3.15%, 2.89%, 3.68%, 3.30%, 3.26%, 2.72%, 2.74%, 1.91%, 1.37% and 1.97% 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.

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Fund administration expense

Fund administration expense is fund operating expenses incurred by Russell on behalf of the Class. These include but are not limited to time spent on regulatory requirements, quarterly commentaries, client statements, tax statements, other shareholder communications, coordination of fund audits and other operational activities. Russell recovers these expenses from the Class and the amount of this charge is disclosed as Fund administration expense in the Class' Statement of Operations.

The Class's Independent Review Committee ("IRC") has provided a standing instruction confirming its opinion that Russell's procedure for recovery of these Class operating expenses achieves a fair and reasonable result for the Class. The standing instruction is dependent on Russell following specific written policies and procedures with respect to the allocation of these expenses.

Series description

The Class offers the following series of shares: Series B, E, E-3, E-5, F, F-3, F-5, I-3, I-5, US Dollar Hedged Series B, US Dollar Hedged Series F, US Dollar Hedged Series I-5.

Series B, Series I-3, Series I-5, US Dollar Hedged Series B and US Hedged Series I-5 shares have the same management fee. The dealer is paid a trailer fee out of this management fee.

US Dollar Hedged Series B are available to all investors who invest in US dollars. US Dollar Hedged Series I-5 are available to all investors who invest in US dollars, and offers monthly distributions in US dollars.

Series E, Series E-3 and Series E-5 shares have a lower management fee. Your dealer is paid a trailer fee out of these management fees as compensation for providing services to you.

Series F, Series F-3, Series F-5 shares, and the US Dollar Hedged Series F 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.

It is our current intention to distribute approximately 3% of the net asset value per share each year for Series E-3, Series F-3 and Series I-3 shares. For Series E-5, Series F-5 and Series I-5 shares, it is our current intention to distribute approximately 5% of the net asset value per share each year.

Management fees

The annual management fee paid by the Fund 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	Series E-3	Series E-5
1.25%	1.15%	1.15%	1.15%

Series F	Series F-3	Series F-5	Series I-3	Series I-5
0.70%	0.70%	0.70%	1.25%	1.25%

US Dollar Hedged Series B	US Dollar Hedged Series F	US Dollar Hedged Series I-5
1.25%	0.70%	1.25%

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	54%
Portfolio Manager expenses & other fees	46%

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	\$ 11.51	\$ 10.77	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ -	\$ 0.01	\$ (0.01)
Total expenses	\$ (0.18)	\$ (0.17)	\$ (0.10)
Realized gains (losses) for the period	\$ 0.59	\$ 0.63	\$ 0.52
Unrealized gains (losses) for the period	\$ (0.13)	\$ 0.21	\$ 0.32
Total increase (decrease) from operations⁽²⁾	\$ 0.28	\$ 0.68	\$ 0.73
Distributions			
From income (excluding dividends)	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 11.84	\$ 11.51	\$ 10.77

US Dollar Hedged Series B

	2011****
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ 0.20
Total expenses	\$ (0.03)
Realized gains (losses) for the period	\$ 0.17
Unrealized gains (losses) for the period	\$ (0.35)
Total increase (decrease) from operations⁽²⁾	\$ (0.01)
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ -
Total annual distributions⁽³⁾	\$ -
Net Assets at end of the period	\$ 9.89

Series E

	2011	2010**
Net Assets, beginning of period	\$ 10.66	\$ 10.00
Increase (decrease) from operations		
Total revenue	\$ -	\$ 0.01
Total expenses	\$ (0.15)	\$ (0.14)
Realized gains (losses) for the period	\$ 0.55	\$ 0.46
Unrealized gains (losses) for the period	\$ (0.13)	\$ 0.26
Total increase (decrease) from operations⁽²⁾	\$ 0.27	\$ 0.59
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -
Net Assets at end of the period	\$ 10.98	\$ 10.66

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Annual management report of fund performance

The Class's net assets per share⁽¹⁾ (cont'd)

Series E-3	2011***
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ -
Total expenses	\$ (1.07)
Realized gains (losses) for the period	\$ 2.93
Unrealized gains (losses) for the period	\$ (0.36)
Total increase (decrease) from operations⁽²⁾	\$ 1.50
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ (2.28)
Total annual distributions⁽³⁾	\$ (2.28)
Net Assets at end of the period	\$ 75.57

Series E-5	2011	2010***
Net Assets, beginning of period	\$ 75.00	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.02	\$ -
Total expenses	\$ (0.95)	\$ (0.50)
Realized gains (losses) for the period	\$ 0.43	\$ (3.31)
Unrealized gains (losses) for the period	\$ 0.84	\$ 2.52
Total increase (decrease) from operations⁽²⁾	\$ 0.34	\$ (1.29)
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (3.72)	\$ (1.86)
Total annual distributions⁽³⁾	\$ (3.72)	\$ (1.86)
Net Assets at end of the period	\$ 73.92	\$ 74.90

Series F	2011	2010	2009*
Net Assets, beginning of period	\$ 11.63	\$ 10.82	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ -	\$ 0.01	\$ (0.01)
Total expenses	\$ (0.11)	\$ (0.11)	\$ (0.06)
Realized gains (losses) for the period	\$ 0.56	\$ 0.67	\$ 0.52
Unrealized gains (losses) for the period	\$ (0.12)	\$ 0.23	\$ 0.36
Total increase (decrease) from operations⁽²⁾	\$ 0.33	\$ 0.80	\$ 0.81
Distributions			
From income (excluding dividends)	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 12.04	\$ 11.63	\$ 10.82

US Dollar Hedged Series F	2011****
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ 0.27
Total expenses	\$ (0.02)
Realized gains (losses) for the period	\$ 0.15
Unrealized gains (losses) for the period	\$ (0.36)
Total increase (decrease) from operations⁽²⁾	\$ 0.04
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ -
Total annual distributions⁽³⁾	\$ -
Net Assets at end of the period	\$ 9.83

Series F-3	2011***
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ 0.03
Total expenses	\$ (0.66)
Realized gains (losses) for the period	\$ 3.29
Unrealized gains (losses) for the period	\$ (0.44)
Total increase (decrease) from operations⁽²⁾	\$ 2.22
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ (2.28)
Total annual distributions⁽³⁾	\$ (2.28)
Net Assets at end of the period	\$ 75.67

Series F-5	2011***
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ 0.02
Total expenses	\$ (0.66)
Realized gains (losses) for the period	\$ 3.08
Unrealized gains (losses) for the period	\$ (0.47)
Total increase (decrease) from operations⁽²⁾	\$ 1.97
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ (3.72)
Total annual distributions⁽³⁾	\$ (3.72)
Net Assets at end of the period	\$ 74.06

Series I-3	2011***
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ 0.03
Total expenses	\$ (1.10)
Realized gains (losses) for the period	\$ 3.16
Unrealized gains (losses) for the period	\$ (0.58)
Total increase (decrease) from operations⁽²⁾	\$ 1.51
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ (2.28)
Total annual distributions⁽³⁾	\$ (2.28)
Net Assets at end of the period	\$ 75.24

Series I-5	2011***
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ 0.03
Total expenses	\$ (1.07)
Realized gains (losses) for the period	\$ 2.22
Unrealized gains (losses) for the period	\$ (0.57)
Total increase (decrease) from operations⁽²⁾	\$ 0.61
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ (3.72)
Total annual distributions⁽³⁾	\$ (3.72)
Net Assets at end of the period	\$ 73.81

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The Class's net assets per share⁽¹⁾ (cont'd)

US Dollar Hedged Series I-5	2011****
Net Assets, beginning of period	\$ 75.00
Increase (decrease) from operations	
Total revenue	\$ (2.81)
Total expenses	\$ (0.20)
Realized gains (losses) for the period	\$ 1.00
Unrealized gains (losses) for the period	\$ (0.60)
Total increase (decrease) from operations⁽²⁾	\$ (2.61)
Distributions	
From income (excluding dividends)	\$ -
From dividends	\$ -
From capital gains	\$ -
Return of capital	\$ (0.91)
Total annual distributions⁽³⁾	\$ (0.91)
Net Assets at end of the period	\$ 73.16

* From October 27, 2008 to June 30, 2009

** From July 20, 2009 to June 30, 2010

*** From July 20, 2010 to June 30, 2011

**** From April 26, 2011 to June 30, 2011

(1) This information is derived from the Class's audited annual financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for portfolio pricing purposes. An explanation of these differences can be found in the notes to the 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⁾	\$ 415,210	\$ 212,890	\$ 42,292
Number of shares outstanding ⁽¹⁾	34,996,001	18,492,692	3,917,115
Management expense ratio ⁽²⁾	1.47%	1.46%	1.40%
Management expense ratio before waivers or absorptions	1.47%	1.64%	1.74%
Trading expense ratio (%) ⁽³⁾	0.04%	0.06%	0.06%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%	1046.62%	758.84%
Net asset value per share	\$ 11.86	\$ 11.51	\$ 10.80

US Dollar Hedged Series B	2011****
Total net asset value (000's) ⁽¹⁾	\$ 21,482
Number of shares outstanding ⁽¹⁾	2,168,935
Management expense ratio ⁽²⁾	1.50%
Management expense ratio before waivers or absorptions	1.50%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 9.90

Series E	2011	2010**
Total net asset value (000's) ⁽¹⁾	\$ 46,675	\$ 16,680
Number of shares outstanding ⁽¹⁾	4,243,816	1,564,691
Management expense ratio ⁽²⁾	1.37%	1.35%
Management expense ratio before waivers or absorptions	1.37%	1.54%
Trading expense ratio (%) ⁽³⁾	0.04%	0.06%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%	1046.62%
Net asset value per share	\$ 11.00	\$ 10.66

Ratios and supplemental data (cont'd)

Series E-3	2011***
Total net asset value (000's) ⁽¹⁾	\$ 1,495
Number of shares outstanding ⁽¹⁾	19,743
Management expense ratio ⁽²⁾	1.40%
Management expense ratio before waivers or absorptions	1.40%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 75.71

Series E-5	2011***
Total net asset value (000's) ⁽¹⁾	\$ 1,265
Number of shares outstanding ⁽¹⁾	17,075
Management expense ratio ⁽²⁾	1.34%
Management expense ratio before waivers or absorptions	1.34%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 74.07

Series F	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 190,286	\$ 73,638	\$ 16,990
Number of shares outstanding ⁽¹⁾	15,778,124	6,330,843	1,567,239
Management expense ratio ⁽²⁾	0.87%	0.88%	0.82%
Management expense ratio before waivers or absorptions	0.87%	1.07%	1.16%
Trading expense ratio (%) ⁽³⁾	0.04%	0.06%	0.06%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%	1046.62%	758.84%
Net asset value per share	\$ 12.06	\$ 11.63	\$ 10.84

US Dollar Hedged Series F	2011****
Total net asset value (000's) ⁽¹⁾	\$ 7,118
Number of shares outstanding ⁽¹⁾	722,488
Management expense ratio ⁽²⁾	0.89%
Management expense ratio before waivers or absorptions	0.89%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 9.85

Series F-3	2011***
Total net asset value (000's) ⁽¹⁾	\$ 12,683
Number of shares outstanding ⁽¹⁾	167,288
Management expense ratio ⁽²⁾	0.89%
Management expense ratio before waivers or absorptions	0.89%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 75.82

Series F-5	2011***
Total net asset value (000's) ⁽¹⁾	\$ 14,936
Number of shares outstanding ⁽¹⁾	201,282
Management expense ratio ⁽²⁾	0.89%
Management expense ratio before waivers or absorptions	0.89%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 74.20

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Ratios and supplemental data (cont'd)

Series I-3	2011***
Total net asset value (000's) ⁽¹⁾	\$ 25,579
Number of shares outstanding ⁽¹⁾	339,310
Management expense ratio ⁽²⁾	1.48%
Management expense ratio before waivers or absorptions	1.48%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 75.39

Series I-5	2011***
Total net asset value (000's) ⁽¹⁾	\$ 15,463
Number of shares outstanding ⁽¹⁾	209,098
Management expense ratio ⁽²⁾	1.47%
Management expense ratio before waivers or absorptions	1.47%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 73.95

US Dollar Hedged Series I-5	2011****
Total net asset value (000's) ⁽¹⁾	\$ 990
Number of shares outstanding ⁽¹⁾	13,509
Management expense ratio ⁽²⁾	1.52%
Management expense ratio before waivers or absorptions	1.52%
Trading expense ratio (%) ⁽³⁾	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	1056.36%
Net asset value per share	\$ 73.31

* From October 27, 2008 to June 30, 2009

** From July 20, 2009 to June 30, 2010

*** From July 20, 2010 to June 30, 2011

**** From April 26, 2011 to June 30, 2011

- (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.
- (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.

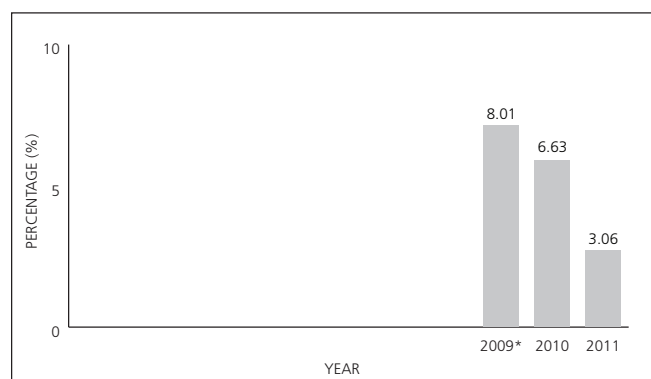
The past performance information assumes that all distributions were reinvested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser 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.

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



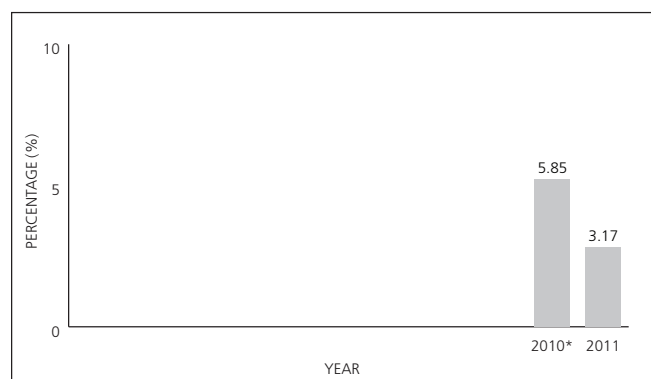
*From October 31, 2008 to June 30, 2009 (not annualized)

Year-by-year returns – US Dollar Hedged Series B



*From April 26, 2011 to June 30, 2011 (not annualized)

Year-by-year returns – Series E

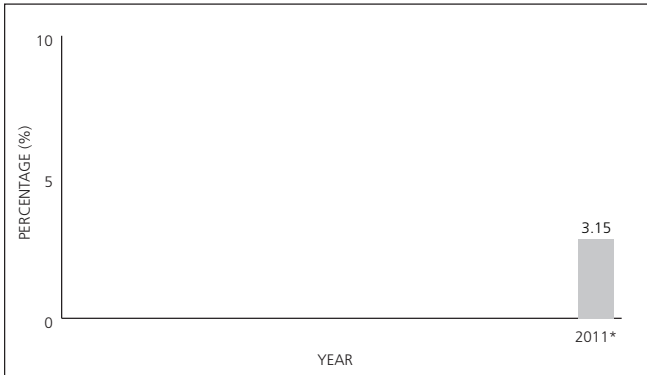


*From July 31, 2009 to June 30, 2010 (not annualized)

Russell Managed Yield Class

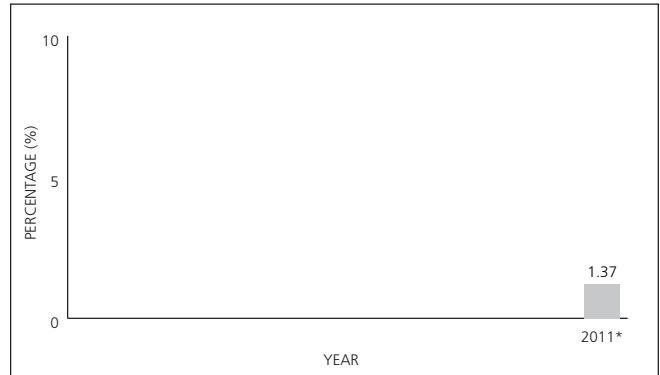
Annual management report of fund performance

Year-by-year returns – Series E-3



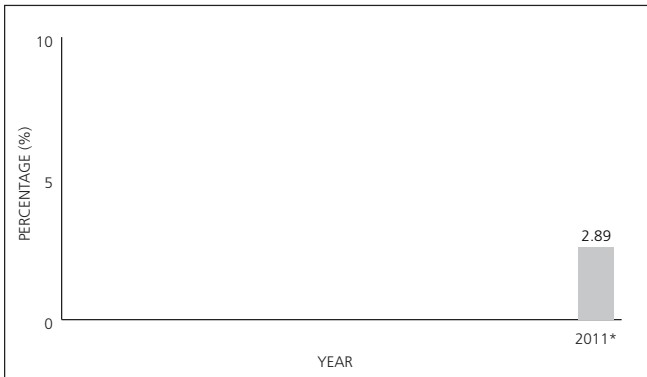
*From July 30, 2010 to June 30, 2011 (not annualized)

Year-by-year returns – US Dollar Hedged Series F



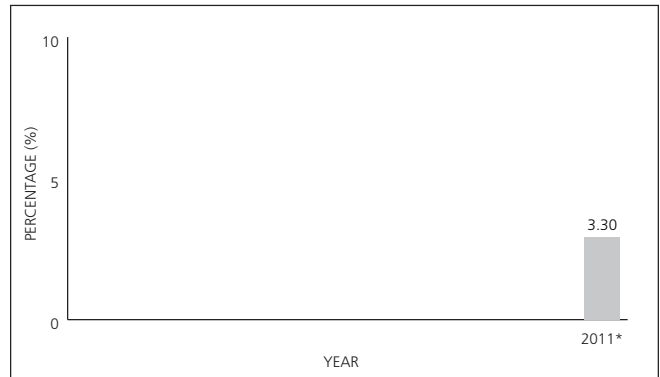
*From April 26, 2011 to June 30, 2011 (not annualized)

Year-by-year returns – Series E-5



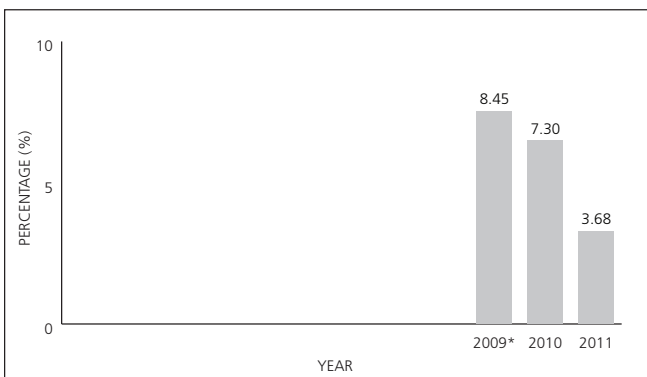
*From July 30, 2010 to June 30, 2011 (not annualized)

Year-by-year returns – Series F-3



*From July 30, 2010 to June 30, 2011 (not annualized)

Year-by-year returns – Series F



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

Year-by-year returns – Series F-5

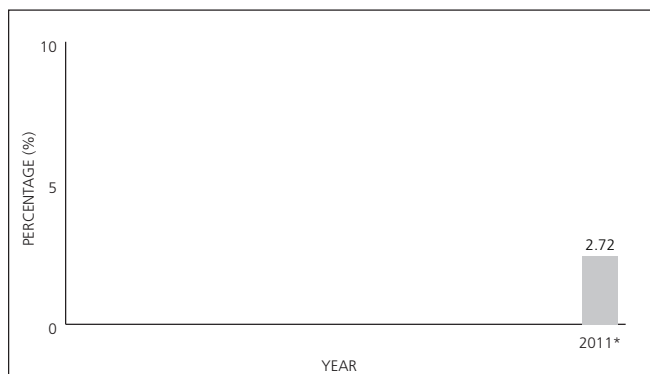


*From July 30, 2010 to June 30, 2011

Russell Managed Yield Class

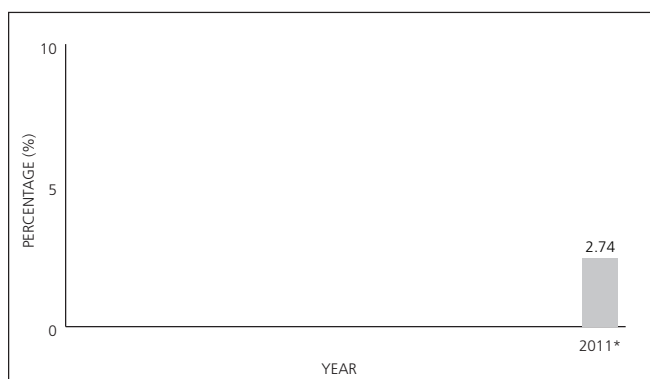
Annual management report of fund performance

Year-by-year returns – Series I-3



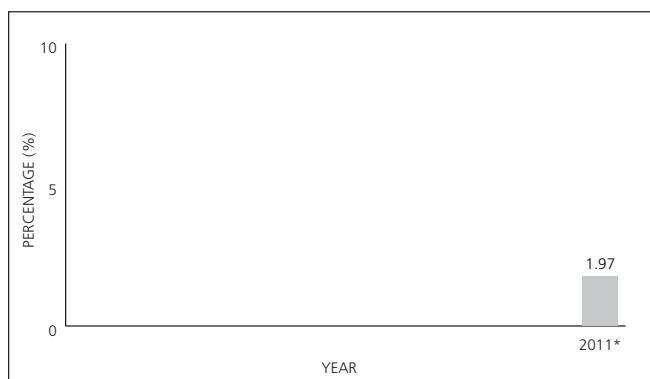
*From July 30, 2010 to June 30, 2011 (not annualized)

Year-by-year returns – Series I-5



*From July 30, 2010 to June 30, 2011 (not annualized)

Year-by-year returns – US Dollar Hedged Series I-5



*From April 26, 2011 to June 30, 2011 (not annualized)

Annual compound returns

The tables show the historical annual compound total returns of the shares of the Class compared to the DEX Universe Bond Index ("Benchmark").

Period ending June 30, 2011

Annual Compound Returns	Since October 31, 2008	Last year
Series B shares ⁽¹⁾	6.65%	3.06%
Series F shares ⁽¹⁾	7.30%	3.68%
DEX Universe Bond Index ⁽²⁾	7.48%	4.67%

Period ending June 30, 2011

Annual Compound Returns	Since July 31, 2009	Last year
Series E shares ⁽¹⁾	4.71%	3.17%
DEX Universe Bond Index ⁽²⁾	5.67%	4.67%

Period ending June 30, 2011

Annual Compound Returns	Since July 30, 2010
Series E-3 shares ⁽¹⁾	3.15%
Series E-5 shares ⁽¹⁾	2.89%
Series F-3 shares ⁽¹⁾	3.30%
Series F-5 shares ⁽¹⁾	3.26%
Series I-3 shares ⁽¹⁾	2.72%
Series I-5 shares ⁽¹⁾	2.74%
DEX Universe Bond Index ⁽²⁾	4.19%

Period ending June 30, 2011

Annual Compound Returns	Since April 26, 2011
US Dollar Hedged Series B shares ⁽¹⁾	1.91%
US Dollar Hedged Series F shares ⁽¹⁾	1.37%
US Dollar Hedged Series I-5 shares ⁽¹⁾	1.97%
DEX Universe Bond Index ⁽²⁾	1.62%

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

(2) The DEX Universe Bond Index is the broadest and most widely used measure of performance of marketable government and corporate bonds outstanding in the Canadian market. Source: PC-Bond, a business unit of TSX Inc. Copyright © TSX Inc. All rights reserved. The information contained herein may not be redistributed, sold or modified or used to create any derivative work without the prior written consent of TSX Inc. THE USER AGREES THAT TSX INC. AND THE PARTIES FROM WHOM TSX INC. OBTAINS DATA DO NOT HAVE ANY LIABILITY FOR THE ACCURACY OR COMPLETENESS OF THE DATA PROVIDED OR FOR DELAYS, INTERRUPTIONS OR OMISSIONS THEREIN OR THE RESULTS TO BE OBTAINED THROUGH THE USE OF THIS DATA. THE USER FURTHER AGREES THAT NEITHER TSX INC. NOR THE PARTIES FROM WHOM IT OBTAINS DATA MAKE ANY REPRESENTATION, WARRANTY OR CONDITION, EITHER EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE DATA, OR AS TO THE MERCHANTABILITY QUALITY OR FITNESS OF THE DATA FOR A PARTICULAR PURPOSE.

Performance commentary

For the period ended June 30, 2011 the Class returned 3.06% (Series B), while the Benchmark returned 4.67%. 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.

Russell Managed Yield Class

Annual management report of fund performance

Summary of investment portfolio

Top 25 holdings*

As at June 30, 2011

	Percentage of net asset value of the Class
Canada Housing Trust No1 3.600% 15-Jun-2013 Ser 19	9.3%
Government of Canada 2.000% 01-Sept-2012 Ser Yx62	4.3%
Prov of British Columbia 5.750% 09-Jan-2012	3.7%
Prov of British Columbia 4.100% 18-Dec-2019	3.0%
Government of Canada 8.000% 01-Jun-2023 Ser A55	2.8%
Govt of Canada 0.000% T-Bill	2.5%
Prov of Manitoba 4.400% 05-Sep-2025	2.3%
Canada Housing Trust No1 4.550% 15-Dec-2012	1.7%
Bac Canada Finance 21-Feb-2014	1.5%
Prov of Ontario 4.000% 02-Jun-2021	1.4%
Canada Housing Trust No.1 3.950% 15-Jun-2013 Ser 21	1.3%
Prov of British Columbia 8.000% 08-Sep-2023	1.2%
Shaw Communications Inc 6.750% 09-Nov-2039	1.1%
Transcanada Pipelines Ltd 8.050% 17-Feb-2039 Mtn	1.1%
Government of Canada 4.000% 01-Jun-2041 Ser Yq12	1.0%
Government of Canada 15-Mar-2014 Strip Gen Prin	1.0%
Prov of British Columbia 5.700% 18-Jun-2029	1.0%
Government of Canada 1.000% 01-Sept-2011 Ser Yw89	0.9%
Lloyds Tsb Bank Plc 5.280% 19-Apr-2016	0.9%
Lloyds Tsb Bank Plc 4.570% 13-Oct-2015 Maple Bd	0.8%
Royal Bk Scotland Group Plc 5.875% 12-May-2016 Mtn 3180	0.8%
Prov of Quebec 3.300% 01-Dec-2013 Real Rtn Bd	0.7%
Canada Housing Trust No1 3.950% 15-Dec-2011 Ser 15	0.7%
Royal Bank of Scotlandvar Rt 30-Mar-2015	0.7%
Ontrea Inc 4.619% 09-Apr-2018	0.7%

Net Asset Value (thousands of dollars) \$752,010

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
Corporate Bonds and Notes	27.3%
Government of Canada Bonds	25.6%
Provincial Government Bonds	23.0%
Foreign Bonds and Notes	14.3%
Mortgage Back Securities	2.7%
Municipal Government Bonds	0.6%
Bond Forwards	0.1%

*These are portfolio holdings of the Underlying Fund, Russell Canadian Fixed Income Fund. Russell Managed Yield Class is exposed to these portfolio holdings as a result of a forward agreement.

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