

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Russell US 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.

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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 U.S. issuers listed on recognized stock exchanges.

To achieve this objective, the Class invests in units of the Russell US 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 Russell 3000® 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 US Equity Class (the Class) returned 18.84%*, while its Benchmark, the Russell 3000 Index, returned 20.22%.

During the reporting period, the Class's net assets increased by \$10.5 million, as a result of a \$6.4 million gain relating to investment holdings, net subscriptions of \$4.8 million and a net investment loss of \$0.7 million. Net investment loss is comprised of total investment income earned by securities less the expenses of the Class. The Class's expenses increased by \$172 thousand (approximately 32%) 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.

The last two quarters of 2010 and the first quarter of 2011 saw a return of investor confidence, which benefited U.S. equity markets. Investors showed an increased appetite for risk during this period and, as a result, the more cyclical and economy-sensitive stocks (those that tend to do well when there is an expectation for the economy to improve) outperformed defensive holdings. In July of 2010, the U.S. Federal Reserve Board began discussing a second round of stimulus (Quantitative Easing 2), to which U.S. equity markets largely reacted positively. As the U.S. Federal Reserve followed through on buying back government bonds and increasing the amount of cash in markets, fears of a double-dip recession within the U.S. economy abated in late 2010 and equity markets continued to rally through the end of April 2011. In addition, positive earnings forecasts, including increased profitability, drove U.S. equity performance as many large capitalization companies successfully cut costs following the global financial crisis and positioned themselves well for future growth. Although turbulent from a headline news perspective, this period was reminiscent of mid-to-late 2009, when there was much uncertainty about the global economy but markets responded positively to healthy economic data. However, the market environment and investor sentiment shifted in the second quarter of 2011 amid a number of concerns, including political and social turmoil in Africa, the devastating earthquake and tsunami in Japan, the sovereign debt problems in Europe, continued high unemployment in the U.S. and the prospect of the U.S. having to raise its debt ceiling. During the second quarter of 2011, markets rewarded the more defensive and lower-risk stocks, penalizing stocks having higher risk.

Over the entire twelve-month period, all sectors of the Russell 3000 Index had positive performance. The Energy sector was the strongest, returning 39.32% for the period, despite losing ground in the second quarter of 2011. The Financial Services sector was the weakest performing sector, gaining 5.31% over the year. As the market favoured more defensive holdings in the second quarter of 2011, the positive performing sectors were Consumer Staples, Healthcare, Utilities and Consumer Discretionary. Despite the defensive market environment and continuing negative economic news, the Russell 3000 Index was only down 0.15% for the second quarter of 2011.

Relative to the Benchmark, the Underlying Fund's performance over the reporting period was negatively affected by an underweight to stocks exhibiting a high rate of appreciation in their share price. In addition, a general underweight to the Producer Durables sector detracted from performance relative to the Benchmark for period. Stock selection for the overall Underlying Fund was positive. However, stock selection detracted from returns in the Financial Services sector, namely the shares of Goldman Sachs Group, Inc., JP Morgan Chase & Co. and MetLife Inc., and the shares of Aegean Marine Petroleum Network Inc. from within the Producer Durables sector.

Cornerstone Capital Management, Inc. was the Underlying Fund's best performing sub-adviser during the period, as Cornerstone's strategy for selecting the stocks of companies exhibiting an acceleration in earnings growth was rewarded. Cornerstone benefited from significantly strong stock selection during the period. Not surprising, given that the market was led for most of the reporting period by higher growth and cyclical or economy-sensitive stocks, sub-adviser Levin Capital Strategies, LP underperformed its benchmark for the period as its focus on identifying undervalued stocks was not rewarded.

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 first half of 2011, the Underlying Fund made changes to its sub-advisers to enhance the Underlying Fund's potential to outperform the Benchmark. These changes increase the percentage of holdings in the Underlying Fund that differ from the Benchmark. Overall diversification remains sufficient to manage the Underlying Fund's risk as stated in the Underlying Fund's objectives. The changes to sub-advisers are as follows:

- Aronson Johnson Ortiz LP, Legg Mason Capital Management, Suffolk Capital Management LLC, Schneider Capital Management Corp. and Russell Implementation Services (in respect of Russell Select Holdings only) were terminated March 8, 2011
- Levin Capital Strategies, LP was added March 22, 2011

The Underlying Fund is positioned for a moderate economic recovery, with a focus on higher risk, higher growth potential stocks and those that benefit when the economy is growing. The Underlying Fund remains overweight to stocks with higher forecasted growth and underweight to dividend-yielding stocks. During the reporting period, the Underlying Fund increased its exposure to the Consumer Discretionary and Healthcare sectors and reduced its positions in the Financial Services and Technology sectors.

* 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 19.64% and 20.82% 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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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 the Class.

Russell also serves as distributor of the Class 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	Series F
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	47%
Portfolio Manager expenses & other fees	53%

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	\$ 10.19	\$ 9.96	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ -	\$ -	\$ -
Total expenses	\$ (0.32)	\$ (0.29)	\$ (0.17)
Realized gains (losses) for the period	\$ 0.28	\$ 0.25	\$ (0.02)
Unrealized gains (losses) for the period	\$ 1.93	\$ 0.08	\$ 0.89
Total increase (decrease) from operations⁽²⁾	1.89	0.04	0.70
Distributions			
From income (excluding dividends)	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 12.11	\$ 10.19	\$ 9.96

Series E	2011	2010**
Net Assets, beginning of period	\$ 10.37	\$ 10.00
Increase (decrease) from operations		
Total revenue	\$ -	\$ -
Total expenses	\$ (0.25)	\$ (0.20)
Realized gains (losses) for the period	\$ 0.28	\$ 0.21
Unrealized gains (losses) for the period	\$ 1.40	\$ (0.79)
Total increase (decrease) from operations⁽²⁾	\$ 1.43	\$ (0.78)
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -
Net Assets at end of the period	\$ 12.41	\$ 10.37

Series F	2011	2010	2009*
Net Assets, beginning of period	\$ 10.46	\$ 10.06	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ -	\$ -	\$ -
Total expenses	\$ (0.13)	\$ (0.12)	\$ (0.07)
Realized gains (losses) for the period	\$ 0.29	\$ 0.26	\$ (0.02)
Unrealized gains (losses) for the period	\$ 1.94	\$ 0.30	\$ 0.97
Total increase (decrease) from operations⁽²⁾	\$ 2.10	\$ 0.44	\$ 0.88
Distributions			
From income (excluding dividends)	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 12.64	\$ 10.46	\$ 10.06

* From October 27, 2008 to June 30, 2009

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

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- (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⁾	\$ 21,534	\$ 16,869	\$ 13,149
Number of shares outstanding ⁽¹⁾	1,778,879	1,656,119	1,320,296
Management expense ratio ⁽²⁾	2.91%	2.75%	2.68%
Management expense ratio before waivers or absorptions	3.03%	3.09%	3.02%
Trading expense ratio (%) ⁽³⁾	0.26%	0.34%	0.24%
Portfolio turnover rate (%) ⁽⁴⁾	14.39%	18.40%	6.15%
Net asset value per share	\$ 12.11	\$ 10.19	\$ 9.96

Series E	2011	2010**
Total net asset value (000's) ⁽¹⁾	\$ 2,095	\$ 729
Number of shares outstanding ⁽¹⁾	168,853	70,224
Management expense ratio ⁽²⁾	2.23%	2.07%
Management expense ratio before waivers or absorptions	2.36%	2.41%
Trading expense ratio (%) ⁽³⁾	0.26%	0.34%
Portfolio turnover rate (%) ⁽⁴⁾	14.39%	18.40%
Net asset value per share	\$ 12.41	\$ 10.37

Series F	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 14,890	\$ 10,398	\$ 10,311
Number of shares outstanding ⁽¹⁾	1,177,975	993,897	1,024,913
Management expense ratio ⁽²⁾	1.26%	1.18%	1.11%
Management expense ratio before waivers or absorptions	1.39%	1.52%	1.45%
Trading expense ratio (%) ⁽³⁾	0.26%	0.34%	0.24%
Portfolio turnover rate (%) ⁽⁴⁾	14.39%	18.40%	6.15%
Net asset value per share	\$ 12.64	\$ 10.46	\$ 10.06

* 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.

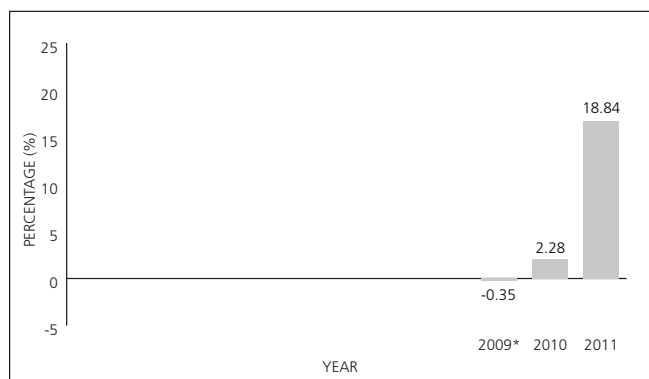
The past performance information assumes that all distributions were re-invested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser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

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.

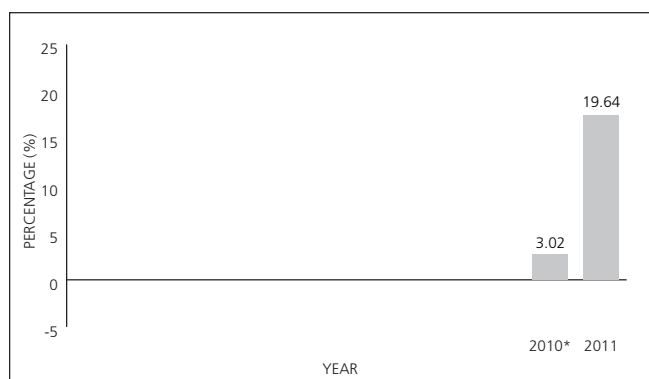
The charts also illustrate how the Class's performance has changed from year to year, and show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

Year-by-year returns – Series B



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

Year-by-year returns – Series E

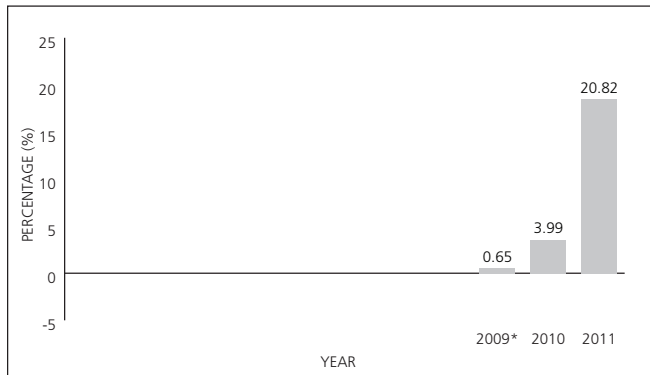


*From July 31, 2009 to June 30, 2010 (not annualized)

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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 Russell 3000® Index ("Benchmark").

Period ending June 30, 2011

Annual Compound Returns	Since	
	October 31, 2008	Last year
Series B shares ⁽¹⁾	7.46%	18.84%
Series F shares ⁽¹⁾	9.21%	20.82%
Russell 3000® Index ⁽²⁾	6.72%	20.22%

Period ending June 30, 2011

Annual Compound Returns	Since	
	July 31, 2009	Last year
Series E shares ⁽¹⁾	11.53%	19.64%
Russell 3000® Index ⁽²⁾	13.23%	20.22%

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

(2) Russell 3000® Index measures the performance of the 3,000 largest US companies based on total market capitalization which represents approximately 98% of the investable US equity market. The Russell Indexes referenced are trademarks of Frank Russell Company. Russell Investments Canada Limited, a wholly owned subsidiary of Frank Russell Company, is the manager of the respective pools (the "Products"). The Products are not sponsored, endorsed, sold or promoted by Frank Russell Company and Frank Russell Company makes no representation regarding the advisability of investing in the Products. Frank Russell Company is not responsible for and has not reviewed the Products nor any associated literature or publication and makes no representation or warranty express or implied as to their accuracy or completeness, or otherwise. Frank Russell Company does not guarantee the accuracy and/or the completeness of the Russell Indexes referenced or any data included therein and Frank Russell Company shall have no liability for any errors, omissions, or interruptions therein. Without limiting the foregoing, in no event shall Frank Russell Company have any liability for any direct, indirect, special, punitive or consequential damages including lost profits, even if notified of the possibility of such damages.

Performance commentary

For the period ended June 30, 2011 the Class returned 18.84% (Series B), while the Benchmark returned 20.22%. 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.

Summary of investment portfolio

Top 25 holdings*

As at June 30, 2011

	Percentage of net asset value of the Class
Pfizer Inc	2.3%
JPMorgan Chase & Co	2.2%
Pepsico Inc	1.9%
Apple Inc	1.9%
Microsoft Corp	1.8%
Metlife Inc	1.6%
Merck & Co Inc	1.6%
Lowe's Cos Inc	1.6%
Devon Energy Corp	1.5%
Coca-Cola Co	1.4%
Goldman Sachs Group Inc	1.4%
Visa Inc	1.4%
Wells Fargo & Co	1.2%
Oracle Corp	1.2%
3M Co	1.2%
Vodafone Group Plc	1.1%
Johnson Controls Inc	1.1%
Time Warner Inc	1.1%
Chevron Corp	1.1%
Sanofi-Aventis Saadr	0.9%
Monsanto Co	0.9%
Covidien Plc	0.8%
Johnson & Johnson	0.8%
Comcast Corp	0.7%
AT&T Inc	0.7%

Net Asset Value (thousands of dollars)

\$38,530

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
Information Technology	29.1%
Health Care	18.3%
Consumer Discretionary	13.6%
Consumer Staples	13.1%
Energy	8.1%
Industrials	7.3%
Materials	6.5%
Financials	4.1%

*These are the portfolio holdings and sector weights of the Russell US 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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