

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Russell Canadian Equity Class

DECEMBER 31, 2011

This semi-annual management report of fund performance contains financial highlights but does not contain the complete unaudited semi-annual financial statements of the Class. You may also obtain an additional copy of the semi-annual management report of fund performance and the semi-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 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 six-month reporting period ending December 31, 2011, the Russell Canadian Equity Class (the Class) returned -11.84%*, while its Benchmark, the S&P/TSX Capped Composite Index, returned -8.86%.

During the reporting period, the Class's net assets decreased by \$9.3 million, as a result of a \$9.0 million loss relating to investment holdings, net redemptions of \$0.6 million and a net investment gain of \$0.3 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 \$1.0 million compared with total investment income of \$0.4 million in the previous reporting period. The main contributor to this change is \$1.0 million of income distributions from the Underlying Fund compared with \$0.4 million in the previous reporting period.

Financial markets endured elevated levels of volatility during the reporting period driven largely by global economic concerns. These ranged from the ongoing European sovereign debt crisis and the sluggish U.S. economy to the potential for a severe slowdown in China's economy in response to slowing global economic growth. Equity markets struggled markedly during the third quarter of 2011 as risk aversion was front and centre and a steady stream of negative news led to extreme volatility across global financial markets and the further erosion of investor confidence. While the fourth quarter saw some increase in the appetite for risk among investors, it was not enough to offset previous losses. Furthermore, despite solid company fundamentals and attractive valuations, equities were mostly ignored as investors became increasingly frustrated by the extent of the influence of global economic issues and policy decisions on market performance. Optimism returned to the markets in October with a rally that produced a quarterly 3.6% advance on the S&P/TSX Composite Index. However, although there were some positive developments, a large degree of uncertainty, due to elevated political risks coming out of Europe, undermined market performance in November and December.

For the reporting period, the Underlying Fund's orientation to those areas of the market that tend to do well when growth in the economy is accelerating was a headwind to performance as defensive-oriented and dividend-yielding stocks were favoured. The Underlying Fund underperformed the Benchmark largely due to ineffective security selection in the more economy-sensitive Industrials, Energy and Materials sectors, an overweight to Research in Motion Limited from the Information Technology sector and an underweight to the defensive Utilities and Telecommunication sectors. Notable detractors from performance during the reporting period included underweighting oil & gas storage & transportation shares, such as Enbridge Inc. and TransCanada Corp., telecommunications giant BCE Inc. and senior gold producer Barrick Gold Corporation. These negative effects were reduced through gains garnered by overweight positions in Trilogy Energy Corp., retailer Canadian Tire Corporation, Limited, Canadian Imperial Bank of Commerce, Toronto-Dominion Bank and Apple Inc. Furthermore, underweight positions in Agnico-Eagle Mines Limited and EnCana Corporation were beneficial.

Picton Mahoney Asset Management was the best performing sub-adviser for the reporting period, benefiting from strong security selection, most notably within the Energy and Materials sectors. Picton found success by overweighting oil & gas exploration & production companies with strong execution and growth prospects, such as Trilogy Energy Corp. and Baytex Energy Corp., and avoiding underperforming natural gas stocks, such as EnCana Corporation. The underweight to, and positive security selection in, the gold and diversified metals & mining industries also generated excess returns. In addition, security selection in both the Financial Services and Consumer Discretionary sectors added value. Key positions included an underweight to Sun Life Financial Inc. in favour of property & casualty insurer, Intact Financial Corporation and overweight positions in Dollarama Inc. and Canadian Tire Corporation, Limited.

Aurion Capital Management Inc. underperformed its benchmark for the reporting period. Aurion's focus on finding companies with superior growth characteristics trading at an attractive share price was not rewarded during a period when company fundamentals mattered little and success was found in defensive and higher yielding stocks regardless of valuations. Under those conditions, Aurion struggled largely as a result of unfavourable security selection. In addition, Aurion's exposure to companies reliant on growth in the economy was not rewarded. Specifically, ineffective security selection in economy-sensitive Industrials, Energy and Materials sectors were largely to blame for the underperformance. Key detractors from performance included overweight positions in Air Canada and Keegan Resources Inc. and an underweight to Enbridge Inc. and BCE, Inc. Furthermore, the underweight to the more defensive sectors of Telecommunication Services, Utilities and Consumer Staples, also detracted from Aurion's performance.

Foyston, Gordon & Payne Inc. underperformed its benchmark during the reporting period as a result of unfavourable security selection and sector allocation. The overweight to Research In Motion Limited and the lack of exposure to oil & gas storage & transportation companies, Enbridge Inc. and TransCanada Corp., were the primary detractors to performance. Tempering results was Foyston's overweight to, and positive security selection within, consumer-related and Telecommunications Services sectors. An underweight position in Teck Resources Ltd. and an overweight to Inmet Mining Corporation also aided performance.

Sub-adviser Goodman & Company, Investment Counsel Ltd. underperformed its benchmark during the reporting period as its optimistic global economic outlook and portfolio positioned for accelerating economic growth were largely out of favour. Positive gains were generated through Goodman's security selection within the Information Technology and Financial Services sectors, specifically its overweight to Apple Inc. and underweight to life & health insurance companies. However, the significant losses within the Materials sector, notably the overweight to Osisko Mining Corporation, and Goodman's avoidance of any oil & gas storage & transportation companies and defensive telecommunication shares more than offset any of the gains.

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.

* 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 -11.54% and -11.11% 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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Recent developments

During the reporting period, sub-adviser Greystone Managed Investments Inc. was replaced with ClariVest Asset Management LLC. With ClariVest, the Underlying Fund gains a quantitatively managed, bottom-up investment strategy that is expected to perform well in a variety of market environments and enable the Underlying Fund to better withstand volatile markets. ClariVest takes a global approach in evaluating Canadian companies and seeks to capture excess return potential generated by investors' over-reaction and under-reaction to changes in the cycles of growth and contraction of the economy. The addition of ClariVest as sub-adviser is expected to help lower the Underlying Fund's market sensitivity, improve portfolio diversification, and increase the Underlying Fund's potential to outperform the Benchmark.

As of December 31, 2011, the Underlying Fund's sector weights remain broadly diversified with the largest exposure relative to the Benchmark being the underweight position to gold shares. While the near-term risk for equities and market volatility remain elevated, the broad environment for equities is expected to improve over time. The Underlying Fund continues to be overweight to sectors that are most likely to benefit from the improving economic outlook.

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. At its December 12, 2011 meeting the ASB decided to further extend the deferral to January 1, 2014. The ASB expects to issue the amendment in March 2012.

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 minimal 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	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 past years ended June 30 and for the six months ended December 31, 2011.

The Class's net assets per share⁽¹⁾

Series B	Last six months	2011	2010	2009*
Net Assets, beginning of period	\$ 14.44	\$ 12.31	\$ 11.35	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ 0.20	\$ 0.09	\$ -	\$ -
Total expenses	\$ (0.19)	\$ (0.40)	\$ (0.34)	\$ (0.18)
Realized gains (losses) for the period	\$ 0.27	\$ 0.62	\$ 0.58	\$ 0.22
Unrealized gains (losses) for the period	\$ (2.02)	\$ 1.87	\$ 0.50	\$ 3.01
Total increase (decrease) from operations⁽²⁾	\$ (1.74)	\$ 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	\$ 12.73	\$ 14.44	\$ 12.31	\$ 11.35

Series E	Last six months	2011	2010**
Net Assets, beginning of period	\$ 12.74	\$ 10.80	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ 0.19	\$ 0.08	\$ -
Total expenses	\$ (0.13)	\$ (0.26)	\$ (0.21)
Realized gains (losses) for the period	\$ 0.24	\$ 0.60	\$ 0.53
Unrealized gains (losses) for the period	\$ (1.72)	\$ 0.89	\$ (0.50)
Total increase (decrease) from operations⁽²⁾	\$ (1.42)	\$ 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	\$ 11.27	\$ 12.74	\$ 10.80

Series F	Last six months	2011	2010	2009*
Net Assets, beginning of period	\$ 15.14	\$ 12.70	\$ 11.50	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ 0.20	\$ 0.09	\$ -	\$ -
Total expenses	\$ (0.08)	\$ (0.17)	\$ (0.14)	\$ (0.07)
Realized gains (losses) for the period	\$ 0.28	\$ 0.65	\$ 0.58	\$ 0.22
Unrealized gains (losses) for the period	\$ (2.09)	\$ 1.88	\$ 0.75	\$ 2.97
Total increase (decrease) from operations⁽²⁾	\$ (1.69)	\$ 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	\$ 13.45	\$ 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 and unaudited semi-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	Last six months	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 38,497	\$ 42,695	\$ 35,103	\$ 24,057
Number of shares outstanding ⁽¹⁾	3,024,329	2,956,829	2,851,211	2,119,445
Management expense ratio ⁽²⁾	2.89%	2.87%	2.73%	2.67%
Management expense ratio before waivers or absorptions	2.93%	2.97%	3.07%	3.01%
Trading expense ratio (%) ⁽³⁾	0.10%	0.25%	0.24%	0.20%
Portfolio turnover rate (%) ⁽⁴⁾	98.10%	16.22%	19.40%	18.30%
Net asset value per share	\$ 12.73	\$ 14.44	\$ 12.31	\$ 11.35

Series E	Last six months	2011	2010**
Total net asset value (000's) ⁽¹⁾	\$ 4,227	\$ 4,023	\$ 1,402
Number of shares outstanding ⁽¹⁾	374,992	315,705	129,793
Management expense ratio ⁽²⁾	2.22%	2.20%	2.05%
Management expense ratio before waivers or absorptions	2.26%	2.30%	2.33%
Trading expense ratio (%) ⁽³⁾	0.10%	0.25%	0.24%
Portfolio turnover rate (%) ⁽⁴⁾	98.10%	16.22%	19.40%
Net asset value per share	\$ 11.27	\$ 12.74	\$ 10.80

Series F	Last six months	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 20,624	\$ 25,941	\$ 20,754	\$ 17,795
Number of shares outstanding ⁽¹⁾	1,532,822	1,713,698	1,634,612	1,547,899
Management expense ratio ⁽²⁾	1.25%	1.23%	1.16%	1.10%
Management expense ratio before waivers or absorptions	1.30%	1.33%	1.44%	1.44%
Trading expense ratio (%) ⁽³⁾	0.10%	0.25%	0.24%	0.20%
Portfolio turnover rate (%) ⁽⁴⁾	98.10%	16.22%	19.40%	18.30%
Net asset value per share	\$ 13.45	\$ 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 and for the six months ended December 31.

(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 portfolio turnover rate and the performance of a fund.

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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.

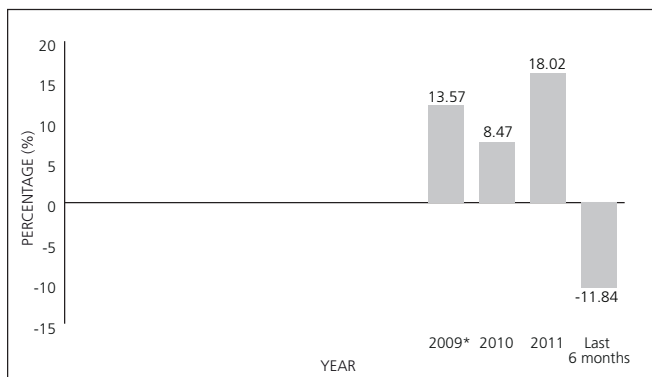
The past performance information assumes that all distributions were re-invested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser 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 and includes the performance for the last six months ending December 31, 2011. 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.

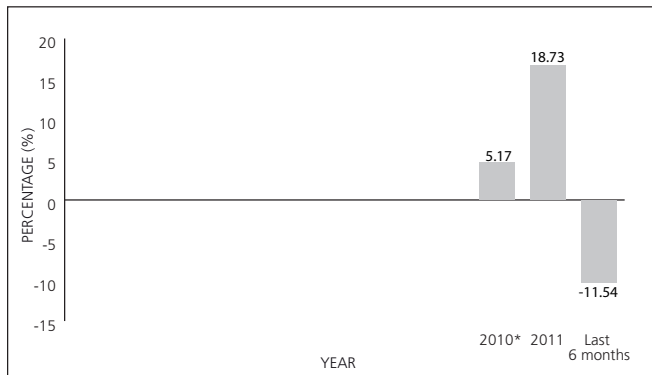
The charts also illustrate how the Class's performance has changed from year to year and in the last six months, and show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year and in the last six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

Year-by-year returns – Series B



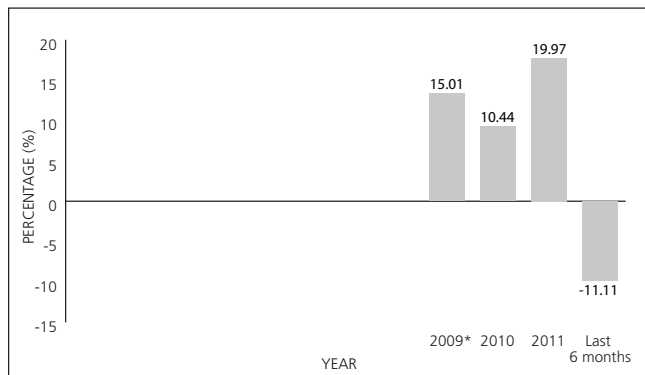
*From October 31, 2008 to June 30, 2009 (not annualized)

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)

Summary of investment portfolio

Top 25 holdings*

As at December 31, 2011

Percentage of net asset value of the Class

Toronto-Dominion Bank (The)	6.3%
Royal Bank of Canada	5.1%
Suncor Energy Inc.	4.5%
Canadian Natural Resources Ltd.	4.4%
Canadian Imperial Bank of Commerce	3.6%
Bank of Nova Scotia	2.5%
Barrick Gold Corp.	2.4%
Bank of Montreal	2.2%
Agrium Inc.	1.8%
Canadian National Railway Co.	1.7%
Potash Corp. of Saskatchewan Inc.	1.7%
Goldcorp Inc.	1.7%
Canadian Tire Corp. Ltd., Class 'A'	1.7%
Imperial Oil Ltd.	1.6%
Teck Resources Ltd., Class 'B'	1.5%
Magna International Inc., Class 'A'	1.4%
Enbridge Inc.	1.2%
Valeant Pharmaceuticals International	1.2%
Intact Financial Corp.	1.2%
BCE Inc.	1.2%
Husky Energy Inc.	1.1%
Open Text Corp.	1.1%
Rogers Communications Inc., Class 'B'	1.1%
Precision Drilling Corp.	1.1%
Cenovus Energy Inc.	1.1%
Net Asset Value (thousands of dollars)	\$63,348

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.

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Sector weights*	As at December 31, 2011
	Percentage of net asset value of the Class
Energy	26.6%
Financials	26.4%
Materials	17.2%
Consumer Discretionary	6.3%
Industrials	4.7%
Information Technology	4.3%
Telecommunications Services	4.0%
Consumer Staples	2.3%
Health Care	1.6%

*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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