

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Russell Emerging Markets 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 maximum total return, primarily through capital appreciation, by assuming a higher level of volatility than is ordinarily expected from developed markets outside of North America through exposure primarily to equity securities of emerging market countries.

To achieve this objective, the Class invests in units of the Russell Emerging Markets 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 Emerging Markets Index Net ("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 Emerging Markets Equity Class (the Class) returned -16.18%*, while its Benchmark, the Russell Emerging Markets Index Net, returned -15.43%.

During the reporting period, the Class's net assets decreased by \$3.7 million, primarily as a result of a \$3.2 million loss relating to investment holdings, net redemptions of \$0.6 million and a net investment gain of \$0.2 million. Net investment income is comprised of total investment income earned by securities less the expenses of the Class.

Emerging markets economies were negatively affected by uncertainty brought about by the European sovereign debt crisis and signs of a global economic slowdown during the reporting period. In the third quarter of 2011, markets were volatile with periods of good performance punctuated by aggressive sell-offs as events affecting the overall economy drove returns. After a very weak third quarter, emerging markets rallied in October and held onto their gains for the remainder of the year. News about the U.S. economy improved and policymakers in developed and emerging markets took steps to loosen monetary policy and stimulate economic growth.

China performed relatively poorly during the reporting period. Inflation hit 37-month high in July, even as China's central bank raised interest rates. Chinese policymakers increased the required reserve ratio for banks on multiple occasions in the first half of 2011 and this prompted renewed fears of a severe slowdown in the Chinese economy. Small Southeast Asian countries, such as Indonesia, Malaysia and the Philippines performed strongly over the reporting period. In Latin America, Peru was the standout performer delivering positive returns over the reporting period. Mexico also performed relatively well as high oil prices (which caused higher transportation costs) made Mexico's proximity to the United States more valuable while a fall in the value of the peso made Mexico's exports more competitive.

India, Turkey and Egypt were among the worst performing markets during the reporting period. India continued to raise interest rates in an attempt to fight inflation and, as a result, its uncomfortably high rate of inflation eased somewhat in November. However, with factory output falling more than expected, investors began to worry that higher interest rates had slowed the Indian economy too much. India's industrial production tumbled and the value of the rupee hit an all time low against the U.S. dollar. Turkey's economy expanded by 8.2% in the third quarter, well ahead of expectations but the country's central bank governor worried investors when he warned that inflation was now Turkey's number one problem. Moreover, the Turkish central bank increased the overnight lending rate by 3.5% to 12.5% and raised the required reserve ratio on banks' lira deposits. Egypt's performance continues to be undermined by social unrest resulting from Egyptians' discontent over the slow pace of progress towards democracy.

The Underlying Fund slightly underperformed the Benchmark, net of fees, for the six months ending December 31, 2011. Country weightings, stock selection and sector allocation made positive contributions to the Underlying Fund's performance. In the third quarter, the Underlying Fund benefited from an underweight position to China and strong stock selection within China. During this period, an overweight to the Consumer Staples sector and stock selection within the sector added to returns. At the same time, an overweight to Hungary, an underweight to Malaysia and stock selection within the Material & Processing sector detracted from the Underlying Fund's performance. In the fourth quarter, an underweight to Taiwan and India added significant value as both countries' economies slowed and performance lagged. As well, strong stock selection in the Energy and Technology sectors was an advantage for the Underlying Fund. Energy stocks rose sharply during this period as a result of favourable cash flow conditions for energy companies and political turmoil in the Middle East. Within Russia, an overweight allocation to Gazprom and a position in Transneft, the country's only provider of oil transportation (which is not held in the Benchmark), made a positive contribution to performance. In general, during the fourth quarter of 2011, large capitalization stocks outperformed small capitalization stocks on a global basis and this trend was even more pronounced within emerging markets. This was positive for the Underlying Fund because its allocation to large capitalization companies was increased in the last three months of the year. Throughout the reporting period, strong stock selection within Korea, specifically an overweight position in Samsung Electronics Co. Ltd. was beneficial as the stock delivered double-digit returns.

Harding Loevner L.P., was the best performing sub-adviser to the Underlying Fund throughout the reporting period. Positive stock selection within the Financial Services and Energy sectors was the main driver behind Harding Loevner's performance. Effective stock picking within China in the third quarter and within Brazil and Indonesia during the fourth quarter added significant value. Among individual stocks, Harding Loevner's overweight position in Petroleo Brasileiro SA Petrobras was positive as the stock rallied in the fourth quarter of 2011. In addition, the sub-adviser's underweight allocation to small capitalization companies proved beneficial as large capitalization stocks performed better.

The Underlying Fund's sub-adviser AllianceBernstein Canada, Inc. underperformed the Benchmark during the reporting period. In the third quarter, the sub-adviser's performance was negatively affected by its exposure to cheaply valued stocks. Furthermore, overweight positions to Russia and Korea detracted from performance. Within Russia, overweight positions in energy companies Lukoil Oil Company, OAO Tatneft and Gazprom also hindered returns. Meanwhile, exposure to India's Tata Steel Ltd weighed on returns as the company missed its profit forecasts. AllianceBernstein outperformed in the fourth quarter. Although the sub-adviser added value through effective stock selection in Northern Asia countries, such as Korea and Taiwan, this was offset by poor stock selection within Turkey, Poland and South Africa. Specifically, an overweight position in Turkish banks was a negative as the Turkish Central Bank increased its overnight lending rate by 3.5% and raised the required reserve ratio on banks' lira deposits.

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

Effective January 1, 2011, the Benchmark for the Class has been changed from the MSCI Emerging Markets Index Net to the Russell Emerging Markets Index Net, which provides a more accurate representation of the markets in which the Underlying Fund invests.

* 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 -15.90% and -15.43% 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. 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
2.80%	2.15%	1.20%

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	39%
Portfolio Manager expenses & other fees	61%

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 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	\$ 16.05	\$ 14.38	\$ 13.06	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ 0.31	\$ -	\$ -	\$ 0.03
Total expenses	\$ (0.23)	\$ (0.53)	\$ (0.44)	\$ (0.22)
Realized gains (losses) for the period	\$ 0.21	\$ 0.59	\$ 0.74	\$ 0.07
Unrealized gains (losses) for the period	\$ (2.88)	\$ 1.50	\$ 0.55	\$ 4.54
Total increase (decrease) from operations⁽²⁾	\$ (2.59)	\$ 1.56	\$ 0.85	\$ 4.42
Distributions				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 13.45	\$ 16.05	\$ 14.38	\$ 13.06

Series E	Last six months	2011	2010**
Net Assets, beginning of period	\$ 12.29	\$ 10.94	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ 0.24	\$ -	\$ -
Total expenses	\$ (0.14)	\$ (0.33)	\$ (0.26)
Realized gains (losses) for the period	\$ 0.16	\$ 0.46	\$ 0.48
Unrealized gains (losses) for the period	\$ (2.16)	\$ 0.46	\$ (0.92)
Total increase (decrease) from operations⁽²⁾	\$ (1.90)	\$ 0.59	\$ (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	\$ 10.34	\$ 12.29	\$ 10.94

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

Series F	Last six months	2011	2010	2009*
Net Assets, beginning of period	\$ 16.86	\$ 14.84	\$ 13.21	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ 0.33	\$ -	\$ -	\$ 0.03
Total expenses	\$ (0.11)	\$ (0.26)	\$ (0.20)	\$ (0.10)
Realized gains (losses) for the period	\$ 0.22	\$ 0.62	\$ 0.76	\$ 0.07
Unrealized gains (losses) for the period	\$ (3.09)	\$ 1.28	\$ 0.85	\$ 4.87
Total increase (decrease) from operations⁽²⁾	\$ (2.65)	\$ 1.64	\$ 1.41	\$ 4.87
Distributions				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 14.26	\$ 16.86	\$ 14.84	\$ 13.21

* 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⁾	\$ 7,820	\$ 9,421	\$ 7,387	\$ 4,657
Number of shares outstanding ⁽¹⁾	581,333	586,970	513,507	356,472
Management expense ratio ⁽²⁾	3.43%	3.41%	3.26%	3.09%
Management expense ratio before waivers or absorptions	3.53%	3.41%	3.63%	3.43%
Trading expense ratio (%) ⁽³⁾	0.07%	0.68%	0.26%	0.08%
Portfolio turnover rate (%) ⁽⁴⁾	92.32%	13.91%	18.66%	7.77%
Net asset value per share	\$ 13.45	\$ 16.05	\$ 14.38	\$ 13.06

Series E	Last six months	2011	2010**
Total net asset value (000's) ⁽¹⁾	\$ 962	\$ 1,104	\$ 447
Number of shares outstanding ⁽¹⁾	93,079	89,823	40,860
Management expense ratio ⁽²⁾	2.75%	2.73%	2.58%
Management expense ratio before waivers or absorptions	2.85%	2.73%	2.95%
Trading expense ratio (%) ⁽³⁾	0.07%	0.68%	0.26%
Portfolio turnover rate (%) ⁽⁴⁾	92.32%	13.91%	18.66%
Net asset value per share	\$ 10.34	\$ 12.29	\$ 10.94

Series F	Last six months	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 6,790	\$ 8,735	\$ 5,790	\$ 4,763
Number of shares outstanding ⁽¹⁾	476,307	518,144	390,142	360,462
Management expense ratio ⁽²⁾	1.65%	1.63%	1.58%	1.42%
Management expense ratio before waivers or absorptions	1.75%	1.63%	1.95%	1.76%
Trading expense ratio (%) ⁽³⁾	0.07%	0.68%	0.26%	0.08%
Portfolio turnover rate (%) ⁽⁴⁾	92.32%	13.91%	18.66%	7.77%
Net asset value per share	\$ 14.26	\$ 16.86	\$ 14.84	\$ 13.21

* 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.

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.

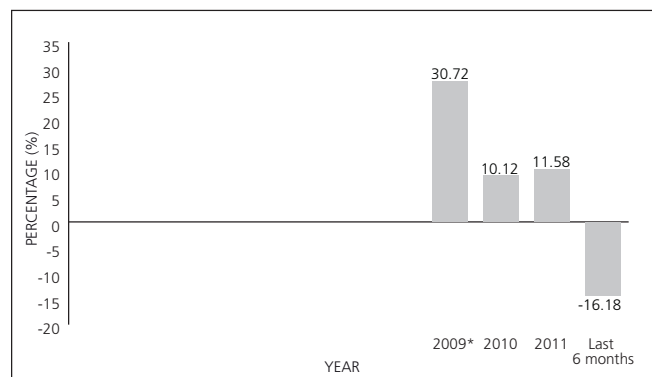
The past performance information assumes that all distributions were re-invested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser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

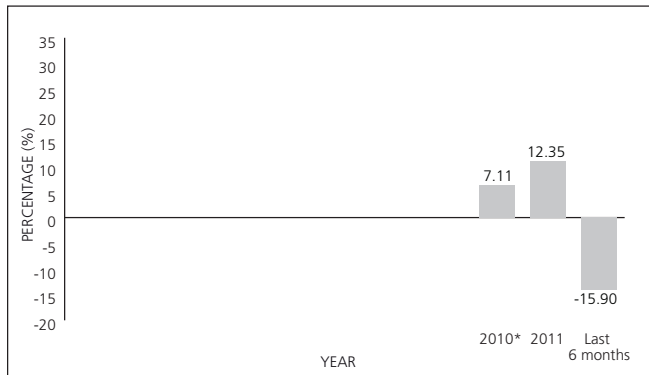


*From October 31, 2008 to June 30, 2009 (not annualized)

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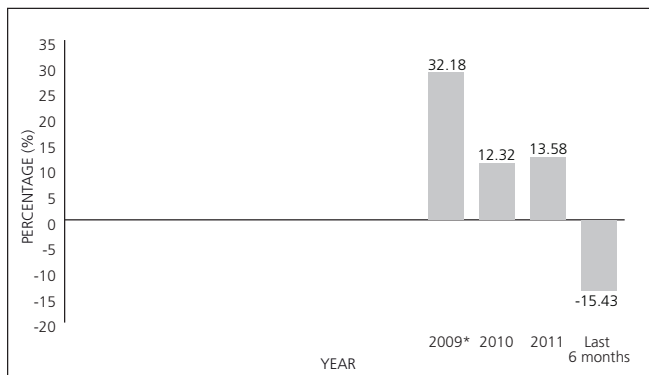
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Year-by-year returns – Series E



*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
Petroleo Brasileiro Sa, Adr	3.1%
Samsung Electronics Co Ltd.	2.6%
Lukoil Ooadr	2.2%
Samsung Electrs Co.	2.1%
Gazprom Ooadr	1.9%
Ipath Msci India Index	1.7%
Vale SA	1.6%
America Movil Sab De Cvadr	1.3%
China Mobile Ltd.	1.3%
Banco Do Brasil SA	1.0%
Avon Products Inc.	1.0%
China Petroleum And Chemicalcorp (Sinopec)	1.0%
Mtn Group Ltd.	1.0%
Cash and Cash Equivalents	0.9%
Bank Rakyat Indonesia Persero	0.9%
Gazprom Oao-Spon	0.9%
Cnooc Ltd.	0.8%
Banco Bradesco Saadr	0.8%
Ishares Msci Taiwan Index Fund	0.8%
Wal-Mart De Mexico Sab De Cvadr	0.7%
Taiwan Semiconductor Manufacturing Company Ltd.	0.7%
Exxaro Res Ltd.	0.7%
Synnex Technology International Corp.	0.7%
Cia De Bebidas Das Americas	0.7%
Sociedad Quimica Y Minera De Cadr	0.7%

Net Asset Value (thousands of dollars)

\$15,572

*These are the portfolio holdings and sector weights of the Russell Emerging Markets 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.

Sector weights*

As at December 31, 2011

	Percentage of net asset value of the Class
Financials	22.9%
Energy	13.3%
Materials	13.2%
Information Technology	13.1%
Consumer Discretionary	9.2%
Consumer Staples	8.1%
Industrials	7.6%
Telecommunications Services	6.6%
Utilities	3.8%
Health Care	1.6%

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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