

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Russell Managed Yield 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 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 Fund will purchase or sell a specified portfolio of Canadian equity securities under a derivative contract. The amount paid or delivered by the other party will be determined by reference to value of units of Russell Canadian Fixed Income Fund (the "Underlying Fund"). The Class may also purchase units of 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 six-month reporting period ending December 31, 2011, the Russell Managed Yield Class (the Class) returned 4.57%*, while its Benchmark, the DEX Universe Bond Index, returned 7.32%.

During the reporting period, the Class's net assets increased by \$266.8 million, as a result of a \$44.6 million gain relating to investment holdings, net subscriptions of \$225.1 million and a net investment loss of \$2.9 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 \$4.7 million compared with total investment income of \$0.1 million in the previous reporting period. The Class's expenses increased by \$3.4 million (approximately 84%) from the previous period's expenses. The increases in both income and expenses during the reporting period are a result of the significant growth of the net assets of the Class.

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. While equity markets struggled markedly during the third quarter of 2011 as risk aversion was front and centre, the reverse was true for fixed-income markets. The steady stream of negative news led to extreme volatility across global financial markets, which caused a flight-to-safety by investors into developed government bond markets, including Canada. This resulted in the yields on Government of Canada bonds and U.S. Treasury bonds dropping significantly during the third quarter, resulting in strong gains for fixed-income investors. Although economic indicators in the U.S. improved during the fourth quarter, concerns that economic growth will remain challenged in 2012 and that central banks will continue to provide significant stimulus have served to keep bond yields near historically low levels. During the reporting period, the Bank of Canada and the U.S. Federal Reserve Board kept their level of interest rates, unchanged at 1.00% and 0.00% to 0.25% respectively. Over the reporting period, the Provincial bond sector had the strongest performance, returning 10.53%, while the Federal government and Corporate bond sectors lagged with returns of 6.51% and 5.39% respectively.

For the six-month reporting period, the Underlying Fund underperformed the Benchmark. This underperformance was in part driven by the length of the terms of bonds held by the Underlying Fund. The Underlying Fund had a higher exposure to shorter-term bonds and a lower exposure to longer-term bonds than that of the Benchmark. Since longer-term bond yields fell more than shorter-term bond yields during the reporting period, this detracted from returns. Additionally, the Underlying Fund was underweight government bonds and overweight corporate bonds during this time period and government bonds, particularly Provincial government bonds, outperformed corporate bonds.

Canso Investment Counsel, Ltd., sub-adviser to the Underlying Fund, underperformed the Benchmark during the reporting period as they expected corporate bonds issued by U.S. financial services companies to represent better value than their Canadian counterparts. However, during the reporting period, U.S. financial services companies faced significant negative market sentiment amid fears of debt defaults spreading from the European financial crisis and the value of their bonds fell relative to the value of Canadian financial services companies' 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

As of December 31, 2011, the Underlying Fund remains positioned for an improvement in economic conditions, which should result in increasing bond yields. The Underlying Fund continues to be positioned defensively against the threat of higher interest rates, having a higher exposure to shorter-term bonds and less exposure to longer-term bonds when compared to the Benchmark. Anticipating that corporate bonds will outperform government bonds, the Underlying Fund has a higher exposure to corporate bonds compared with the Benchmark.

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.

* 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 4.62%, 4.60%, 4.65%, 4.88%, 4.87%, 4.87%, 4.56%, 4.58%, 9.54%, 9.53% and 9.56% 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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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.

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.

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 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 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 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	\$ 11.84	\$ 11.51	\$ 10.77	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ 0.01	\$ -	\$ 0.01	\$ (0.01)
Total expenses	\$ (0.12)	\$ (0.18)	\$ (0.17)	\$ (0.10)
Realized gains (losses) for the period	\$ 0.67	\$ 0.59	\$ 0.63	\$ 0.52
Unrealized gains (losses) for the period	\$ (0.03)	\$ (0.13)	\$ 0.21	\$ 0.32
Total increase (decrease) from operations⁽²⁾	\$ 0.53	\$ 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	\$ 12.39	\$ 11.84	\$ 11.51	\$ 10.77

US Dollar Hedged Series B	Last six months	2011****
Net Assets, beginning of period	\$ 9.89	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.29	\$ 0.20
Total expenses	\$ (0.10)	\$ (0.03)
Realized gains (losses) for the period	\$ 0.59	\$ 0.17
Unrealized gains (losses) for the period	\$ (0.39)	\$ (0.35)
Total increase (decrease) from operations⁽²⁾	\$ 0.39	\$ (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	\$ 10.84	\$ 9.89

Series E	Last six months	2011	2010**
Net Assets, beginning of period	\$ 10.98	\$ 10.66	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ 0.01	\$ -	\$ 0.01
Total expenses	\$ (0.10)	\$ (0.15)	\$ (0.14)
Realized gains (losses) for the period	\$ 0.64	\$ 0.55	\$ 0.46
Unrealized gains (losses) for the period	\$ (0.05)	\$ (0.13)	\$ 0.26
Total increase (decrease) from operations⁽²⁾	\$ 0.50	\$ 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	\$ 11.49	\$ 10.98	\$ 10.66

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

Series E-3	Last six months	2011***
Net Assets, beginning of period	\$ 75.57	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.09	\$ -
Total expenses	\$ (0.70)	\$ (1.07)
Realized gains (losses) for the period	\$ 3.74	\$ 2.93
Unrealized gains (losses) for the period	\$ (0.58)	\$ (0.36)
Total increase (decrease) from operations⁽²⁾	\$ 2.55	\$ 1.50
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (1.14)	\$ (2.28)
Total annual distributions⁽³⁾	\$ (1.14)	\$ (2.28)
Net Assets at end of the period	\$ 77.95	\$ 75.57

Series E-5	Last six months	2011***
Net Assets, beginning of period	\$ 73.92	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.05	\$ 0.02
Total expenses	\$ (0.66)	\$ (0.95)
Realized gains (losses) for the period	\$ 4.05	\$ 0.43
Unrealized gains (losses) for the period	\$ -	\$ 0.84
Total increase (decrease) from operations⁽²⁾	\$ 3.44	\$ 0.34
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (1.86)	\$ (3.72)
Total annual distributions⁽³⁾	\$ (1.86)	\$ (3.72)
Net Assets at end of the period	\$ 75.54	\$ 73.92

Series F	Last six months	2011	2010	2009*
Net Assets, beginning of period	\$ 12.04	\$ 11.63	\$ 10.82	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ 0.01	\$ -	\$ 0.01	\$ (0.01)
Total expenses	\$ (0.08)	\$ (0.11)	\$ (0.11)	\$ (0.06)
Realized gains (losses) for the period	\$ 0.68	\$ 0.56	\$ 0.67	\$ 0.52
Unrealized gains (losses) for the period	\$ (0.03)	\$ (0.12)	\$ 0.23	\$ 0.36
Total increase (decrease) from operations⁽²⁾	\$ 0.58	\$ 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	\$ 12.63	\$ 12.04	\$ 11.63	\$ 10.82

US Dollar Hedged Series F	Last six months	2011***
Net Assets, beginning of period	\$ 9.83	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.33	\$ 0.27
Total expenses	\$ (0.07)	\$ (0.02)
Realized gains (losses) for the period	\$ 0.58	\$ 0.15
Unrealized gains (losses) for the period	\$ (0.41)	\$ (0.36)
Total increase (decrease) from operations⁽²⁾	\$ 0.43	\$ 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	\$ 10.78	\$ 9.83

Series F-3	Last six months	2011***
Net Assets, beginning of period	\$ 75.67	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.09	\$ 0.03
Total expenses	\$ (0.51)	\$ (0.66)
Realized gains (losses) for the period	\$ 4.25	\$ 3.29
Unrealized gains (losses) for the period	\$ (0.26)	\$ (0.44)
Total increase (decrease) from operations⁽²⁾	\$ 3.57	\$ 2.22
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (1.14)	\$ (2.28)
Total annual distributions⁽³⁾	\$ (1.14)	\$ (2.28)
Net Assets at end of the period	\$ 78.26	\$ 75.67

Series F-5	Last six months	2011***
Net Assets, beginning of period	\$ 74.06	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.08	\$ 0.02
Total expenses	\$ (0.49)	\$ (0.66)
Realized gains (losses) for the period	\$ 4.18	\$ 3.08
Unrealized gains (losses) for the period	\$ (0.26)	\$ (0.47)
Total increase (decrease) from operations⁽²⁾	\$ 3.51	\$ 1.97
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (1.86)	\$ (3.72)
Total annual distributions⁽³⁾	\$ (1.86)	\$ (3.72)
Net Assets at end of the period	\$ 75.84	\$ 74.06

Series I-3	Last six months	2011***
Net Assets, beginning of period	\$ 75.24	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.09	\$ 0.03
Total expenses	\$ (0.73)	\$ (1.10)
Realized gains (losses) for the period	\$ 4.36	\$ 3.16
Unrealized gains (losses) for the period	\$ (0.40)	\$ (0.58)
Total increase (decrease) from operations⁽²⁾	\$ 3.32	\$ 1.51
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (1.14)	\$ (2.28)
Total annual distributions⁽³⁾	\$ (1.14)	\$ (2.28)
Net Assets at end of the period	\$ 77.58	\$ 75.24

Series I-5	Last six months	2011***
Net Assets, beginning of period	\$ 73.81	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 0.09	\$ 0.03
Total expenses	\$ (0.70)	\$ (1.07)
Realized gains (losses) for the period	\$ 4.17	\$ 2.22
Unrealized gains (losses) for the period	\$ (0.37)	\$ (0.57)
Total increase (decrease) from operations⁽²⁾	\$ 3.19	\$ 0.61
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (1.86)	\$ (3.72)
Total annual distributions⁽³⁾	\$ (1.86)	\$ (3.72)
Net Assets at end of the period	\$ 75.37	\$ 73.81

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

	Last six months	2011****
US Dollar Hedged Series I-5		
Net Assets, beginning of period	\$ 73.16	\$ 75.00
Increase (decrease) from operations		
Total revenue	\$ 2.05	\$ (2.81)
Total expenses	\$ (0.72)	\$ (0.20)
Realized gains (losses) for the period	\$ 4.14	\$ 1.00
Unrealized gains (losses) for the period	\$ (3.08)	\$ (0.60)
Total increase (decrease) from operations⁽²⁾	\$ 2.39	\$ (2.61)
Distributions		
From income (excluding dividends)	\$ -	\$ -
From dividends	\$ -	\$ -
From capital gains	\$ -	\$ -
Return of capital	\$ (1.88)	\$ (0.91)
Total annual distributions⁽³⁾	\$ (1.88)	\$ (0.91)
Net Assets at end of the period	\$ 78.31	\$ 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 and unaudited semi-annual and unaudited semi-annual financial statements. The net assets per security presented in the financial statements may differ from the net asset value calculated for fund 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	Last six months	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 525,796	\$ 415,210	\$ 212,890	\$ 42,292
Number of shares outstanding ⁽¹⁾	42,383,473	34,996,001	18,492,692	3,917,115
Management expense ratio ⁽²⁾	1.46%	1.47%	1.46%	1.40%
Management expense ratio before waivers or absorptions	1.46%	1.47%	1.64%	1.74%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%	0.06%	0.06%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%	1046.62%	758.84%
Net asset value per share	\$ 12.41	\$ 11.86	\$ 11.51	\$ 10.80

US Dollar Hedged Series B	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 40,279	\$ 21,482
Number of shares outstanding ⁽¹⁾	3,712,813	2,168,935
Management expense ratio ⁽²⁾	1.50%	1.50%
Management expense ratio before waivers or absorptions	1.50%	1.50%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 10.85	\$ 9.90

Series E	Last six months	2011	2010**
Total net asset value (000's) ⁽¹⁾	\$ 61,351	\$ 46,675	\$ 16,680
Number of shares outstanding ⁽¹⁾	5,331,979	4,243,816	1,564,691
Management expense ratio ⁽²⁾	1.36%	1.37%	1.35%
Management expense ratio before waivers or absorptions	1.36%	1.37%	1.54%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%	0.06%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%	1046.62%
Net asset value per share	\$ 11.51	\$ 11.00	\$ 10.66

Series E-3	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 3,157	\$ 1,495
Number of shares outstanding ⁽¹⁾	40,464	19,743
Management expense ratio ⁽²⁾	1.39%	1.40%
Management expense ratio before waivers or absorptions	1.39%	1.40%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 78.03	\$ 75.71

Series E-5	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 1,771	\$ 1,265
Number of shares outstanding ⁽¹⁾	23,418	17,075
Management expense ratio ⁽²⁾	1.39%	1.34%
Management expense ratio before waivers or absorptions	1.39%	1.34%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 75.62	\$ 74.07

Series F	Last six months	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 263,340	\$ 190,286	\$ 73,638	\$ 16,990
Number of shares outstanding ⁽¹⁾	20,820,134	15,778,124	6,330,843	1,567,239
Management expense ratio ⁽²⁾	0.86%	0.87%	0.88%	0.82%
Management expense ratio before waivers or absorptions	0.86%	0.87%	1.07%	1.16%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%	0.06%	0.06%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%	1046.62%	758.84%
Net asset value per share	\$ 12.65	\$ 12.06	\$ 11.63	\$ 10.84

US Dollar Hedged Series F	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 14,410	\$ 7,118
Number of shares outstanding ⁽¹⁾	1,335,433	722,488
Management expense ratio ⁽²⁾	0.88%	0.89%
Management expense ratio before waivers or absorptions	0.88%	0.89%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 10.79	\$ 9.85

Series F-3	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 18,938	\$ 12,683
Number of shares outstanding ⁽¹⁾	241,726	167,288
Management expense ratio ⁽²⁾	0.88%	0.89%
Management expense ratio before waivers or absorptions	0.88%	0.89%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 78.35	\$ 75.82

Series F-5	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 19,963	\$ 14,936
Number of shares outstanding ⁽¹⁾	262,941	201,282
Management expense ratio ⁽²⁾	0.88%	0.89%
Management expense ratio before waivers or absorptions	0.88%	0.89%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 75.92	\$ 74.20

Russell Managed Yield Class

Semi-Annual management report of fund performance

Ratios and supplemental data (cont'd)

Series I-3	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 43,307	\$ 25,579
Number of shares outstanding ⁽¹⁾	557,615	339,310
Management expense ratio ⁽²⁾	1.50%	1.48%
Management expense ratio before waivers or absorptions	1.50%	1.48%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 77.66	\$ 75.39

Series I-5	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 24,859	\$ 15,463
Number of shares outstanding ⁽¹⁾	329,492	209,098
Management expense ratio ⁽²⁾	1.50%	1.47%
Management expense ratio before waivers or absorptions	1.50%	1.47%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 75.45	\$ 73.95

US Dollar Hedged Series I-5	Last six months	2011****
Total net asset value (000's) ⁽¹⁾	\$ 2,487	\$ 990
Number of shares outstanding ⁽¹⁾	31,727	13,509
Management expense ratio ⁽²⁾	1.50%	1.52%
Management expense ratio before waivers or absorptions	1.50%	1.52%
Trading expense ratio (%) ⁽³⁾	0.00%	0.04%
Portfolio turnover rate (%) ⁽⁴⁾	579.00%	1056.36%
Net asset value per share	\$ 78.39	\$ 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 and for the six months ended December 31.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) 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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high portfolio turnover rate and the performance of the 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.

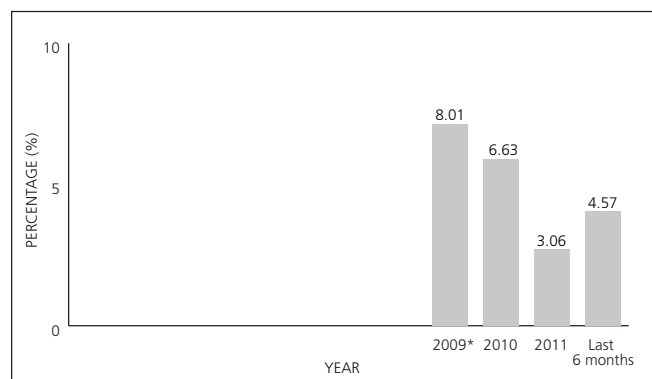
The past performance information assumes that all distributions were reinvested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser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

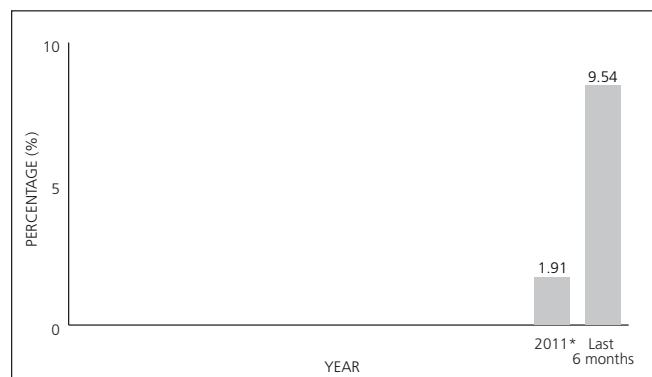
The charts also illustrate how the Class's performance has changed from year to year and in the last six months, and show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year and in the last six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

Year-by-year returns – Series B



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

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

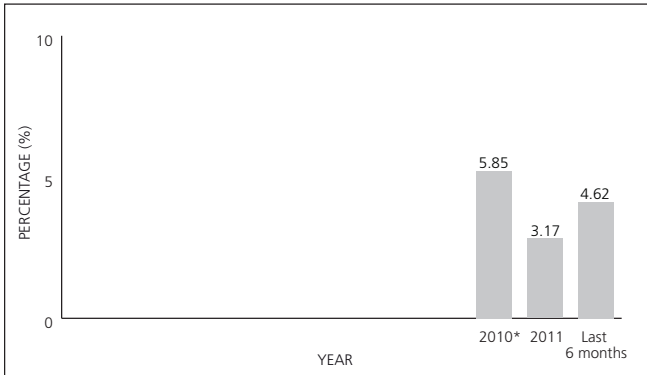


*From April 26, 2011 to June 30, 2011 (not annualized)

Russell Managed Yield Class

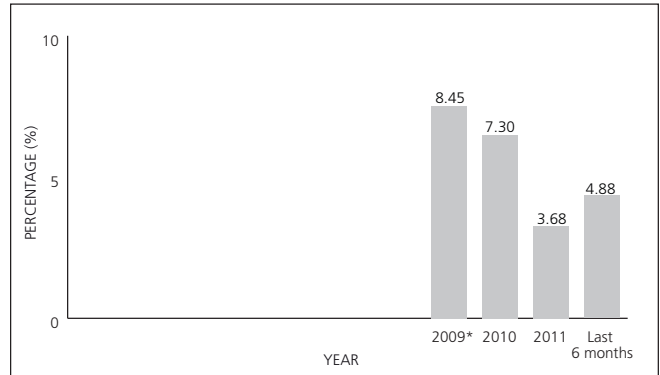
Semi-Annual management report of fund performance

Year-by-year returns – Series E



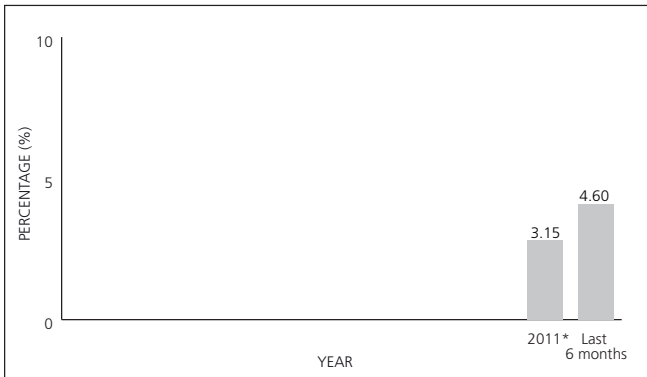
*From July 31, 2009 to June 30, 2010 (not annualized)

Year-by-year returns – Series F



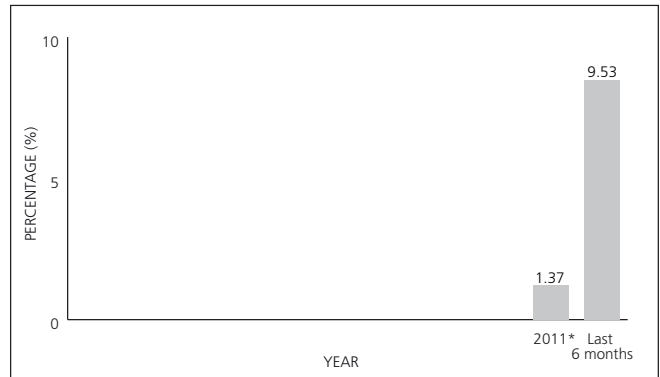
*From October 31, 2008 to June 30, 2009 (not annualized)

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

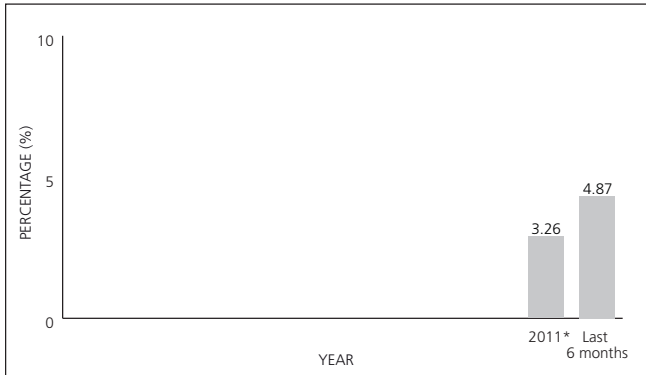


*From July 30, 2010 to June 30, 2011 (not annualized)

Russell Managed Yield Class

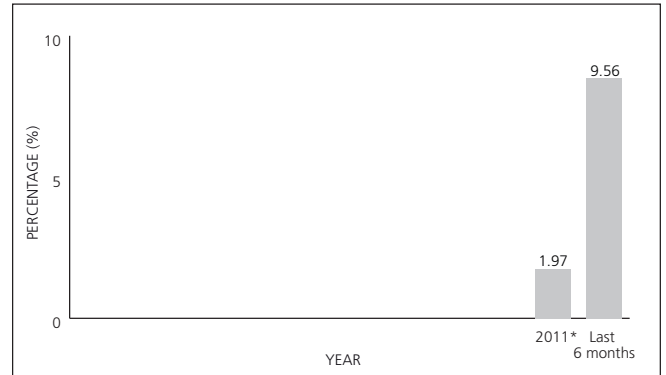
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Year-by-year returns – Series F-5



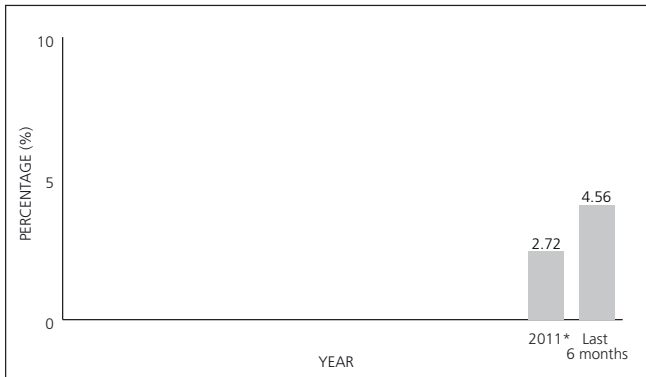
*From July 30, 2010 to June 30, 2011

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



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

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)

Russell Managed Yield Class

Semi-Annual management report of fund performance

Summary of investment portfolio

Top 25 holdings*

As at December 31, 2011

	Percentage of net asset value of the Class
Canada Housing Trust 3.600% 15-Jun-2013 Series 19	8.7%
Province of Ontario 8.100% 08-Sep-2023	3.3%
Canada Housing Trust 4.000% 15-Jun-2012 Series 16	3.2%
Province of British Columbia 4.100% 18-Dec-2019	3.1%
Province of British Columbia 4.250% 18-Jun-2014	2.7%
Canada Housing Trust 3.950% 15-Jun-2013 Series 21	2.2%
Government of Canada 4.000% 01-Jun-2041 Series Year 12	2.0%
Province of Manitoba 4.400% 05-Sep-2025	1.9%
Canada Housing Trust 4.550% 15-Dec-2012 Series 18	1.4%
Province of Ontario 4.000% 02-Jun-2021	1.4%
Bac Canada Finance Covar 21-Feb-2014	1.3%
Province of British Columbia 8.000% 08-Sep-2023	1.3%
Shaw Communications Inc 6.750% 09-Nov-2039	1.2%
Province of British Columbia 5.700% 18-Jun-2029	1.1%
Transcanada Pipelines Ltd 8.050% 17-Feb-2039	1.0%
Government of Canada 15-Mar-2014	0.9%
Lloyds Tsb Bank Plc 5.280% 19-Apr-2016	0.8%
Province of Quebec 4.500% 01-Dec-2020	0.8%
Province of British Columbia 3.250% 18-Dec-2021	0.8%
Government of Canada 0.000% T-Bill 29-Mar-2012	0.8%
Government of Canada 2.000% 01-Dec-2014 Series 24	0.8%
Lloyds Tsb Bank Plc 4.570% 13-Oct-2015	0.8%
Province of Quebec 3.300% 01-Dec-2013	0.7%
Mexican Bonos 10.000% 12/05/2024	0.7%
GE Capital Canada Funding Co. 5.730% 22-Oct-2037	0.7%

Net Asset Value (thousands of dollars)

\$1,018,574

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 are available at www.russell.com/ca or at www.sedar.com.

Sector Weights

As at December 31, 2011

	Percentage of net asset value of the Class
Provincial Government Bonds	27.4%
Corporate Bonds and Notes	27.2%
Government of Canada Bonds	22.6%
Foreign Bonds and Notes	14.9%
Other Assets and Liabilities	3.9%
Mortgage-Backed Securities	1.5%
Short-Term Securities	1.4%
Municipal Government Bonds	1.0%
Bond Forwards	0.1%

* These are the 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 and also through direct investment.

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