

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

Russell Overseas 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.

Russell Overseas Equity Class

Semi-Annual management report of fund performance

Investment objective and strategies

The Class's investment objective is to provide total return and additional diversification for Canadian investors primarily through exposure to equity securities of non-Canadian and non-U.S. companies listed on recognized stock exchanges, and fixed income securities and financial instruments issued by non-Canadian and non-U.S. governments and companies.

To achieve this objective, the Class invests in units of the Russell Overseas 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 Developed ex-North America Large Cap 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 Overseas Equity Class (the Class) returned -11.31%*, while its Benchmark, the Russell Developed ex-North America Large Cap Index Net, returned -12.25%.

During the reporting period, the Class's net assets decreased by \$2.2 million, primarily as a result of a \$3.0 million loss relating to investment holdings, net subscriptions of \$1.0 million and a net investment loss of \$0.3 million. Net investment loss is comprised of total investment income earned by securities less the expenses of the Class.

The ongoing European debt crisis unsettled global equity markets during the reporting period and saw investors make a strong distinction between assets that were perceived as safe and those viewed as risky, favouring the former over the latter. In the third quarter of 2011, global equity markets were highly volatile as the sovereign debt crisis in the euro-zone escalated. During this period the Benchmark declined by 13.1% with European markets bearing the brunt of the declines. In Greece, the market fell by nearly 40%, as the prospect of default appeared increasingly imminent, and markets in the larger European economies of Germany (down 25.4%) and France (down 23.9%) were also hit hard as credit markets began to seize up. Japan proved to be a relatively safe-haven during this period with its market gaining 2.4%, helped in part by a 14% rise in the Japanese yen. In the fourth quarter markets were generally flat amid conflicting economic indicators and investor sentiment. The fourth quarter started off with a rally as various economic indicators showed improvements, such as the Purchasing Managers Index, which had readings indicating an economic expansion after months of signaling a contracting economy. However, in November investor sentiment changed as the European debt crisis crept back into investors' minds and signals emerged that pointed to a still weak growth environment.

During the reporting period, the Underlying Fund outperformed the Benchmark as a result of favourable country weightings, sector allocations and stock selection. In the third quarter, the Underlying Fund benefited from being underweight to Europe and the Materials and Financial Services sectors, and overweight to the United Kingdom and the Consumer Staples and Telecommunications sectors. Nearly all of the Underlying Fund's sector allocations were additive in the fourth quarter, with the exception being the Industrials sector, where poor stock selection undermined returns. The underweight to the Financial Services sector continued to be profitable to the Underlying Fund, further aided by overweights to financial services companies expected to be unaffected by the European sovereign debt crisis, such as Prudential PLC and Julius Baer Group Ltd. An overweight to the Consumer Staples sector was also beneficial with tobacco company Philip Morris International Inc. and companies with emerging markets exposure adding to returns. Although the Underlying

Fund benefited from its underweight to Japan, which was the worst performing region during the fourth quarter, the overall effect on performance over the reporting period of the Underlying Fund's exposure to Japan was negative.

Mondrian Investment Partners Ltd. was the best performing sub-adviser to the Underlying Fund in the third quarter as its defensive orientation and focus on large capitalization companies was effective in this risk-adverse environment. Mondrian benefited from being overweight to the Consumer Staples, Telecommunications and Healthcare sectors and underweight to the Materials, Industrials and Financial Services sectors.

After being the worst performing sub-adviser in the third quarter of 2011, MFS Institutional Advisors, Inc. benefited from its favourable regional allocations and strong stock selection to be the best performing sub-adviser in the fourth quarter. The sub-adviser's focus on quality companies exhibiting earnings growth potential was an advantage in October when the risk appetite of the market temporarily increased and also mitigated against losses in November and December when investor sentiment shifted back to risk aversion. MFS generated most of its success in the fourth quarter from overweights to UK food services company Compass Group PLC and advertising firm WPP PLC from within the Consumer Discretionary sector and positions within the Financial Services sector, such as overweights to Julius Baer Group Limited and several insurance companies that are not related to the sovereign debt crisis in southern Europe.

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

The Underlying Fund continues to be positioned to benefit from the areas that are typically more sensitive to increases in the pace of economic growth, with overweights to consumer discretionary and information technology stocks. However, these positions are tempered through allocations to defensive-oriented sectors, such as Consumer Staples and Telecommunications. The Underlying Fund's largest underweight positions are in the Financial Services and Materials sectors, which are expected to have very low growth prospects. From a regional perspective, the Underlying Fund is underweight the Asia/Pacific (excluding Japan) region. Within the Underlying Fund's emerging markets allocation, the bulk of holdings are from South Korea and Brazil.

Effective January 1, 2011, the Benchmark for the Class has been changed from the MSCI EAFE Index Net to the Russell Developed ex-North America Large Cap Index Net, which provides a more accurate representation of the markets in which the Underlying Fund invests.

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.

* 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 -11.00% and -10.57% 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.

Russell Overseas Equity Class

Semi-Annual management report of fund performance

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	45%
Portfolio Manager expenses & other fees	55%

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	\$ 11.69	\$ 10.07	\$ 10.26	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ -	\$ -	\$ -	\$ -
Total expenses	\$ (0.15)	\$ (0.32)	\$ (0.29)	\$ (0.17)
Realized gains (losses) for the period	\$ 0.07	\$ 0.27	\$ 0.21	\$ (0.08)
Unrealized gains (losses) for the period	\$ (1.22)	\$ 1.68	\$ (0.24)	\$ 0.91
Total increase (decrease) from operations⁽²⁾	\$ (1.30)	\$ 1.63	\$ (0.32)	\$ 0.66
Distributions				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 10.37	\$ 11.69	\$ 10.07	\$ 10.26

Series E	Last six months	2011	2010**
Net Assets, beginning of period	\$ 11.58	\$ 9.90	\$ 10.00
Increase (decrease) from operations			
Total revenue	\$ -	\$ -	\$ -
Total expenses	\$ (0.11)	\$ (0.24)	\$ (0.20)
Realized gains (losses) for the period	\$ 0.07	\$ 0.27	\$ 0.17
Unrealized gains (losses) for the period	\$ (1.12)	\$ 1.20	\$ (1.48)
Total increase (decrease) from operations⁽²⁾	\$ (1.16)	\$ 1.23	\$ (1.51)
Distributions			
From income (excluding dividends)	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 10.30	\$ 11.58	\$ 9.90

Series F	Last six months	2011	2010	2009*
Net Assets, beginning of period	\$ 12.21	\$ 10.34	\$ 10.37	\$ 10.00
Increase (decrease) from operations				
Total revenue	\$ -	\$ -	\$ -	\$ -
Total expenses	\$ (0.06)	\$ (0.13)	\$ (0.12)	\$ (0.07)
Realized gains (losses) for the period	\$ 0.08	\$ 0.28	\$ 0.22	\$ (0.08)
Unrealized gains (losses) for the period	\$ (1.28)	\$ 1.69	\$ (0.12)	\$ 0.86
Total increase (decrease) from operations⁽²⁾	\$ (1.26)	\$ 1.84	\$ (0.02)	\$ 0.71
Distributions				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -
Total annual distributions⁽³⁾	\$ -	\$ -	\$ -	\$ -
Net Assets at end of the period	\$ 10.92	\$ 12.21	\$ 10.34	\$ 10.37

* 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.

Russell Overseas Equity Class

Semi-Annual management report of fund performance

Ratios and supplemental data

Series B	Last six months	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 14,755	\$ 15,208	\$ 12,642	\$ 10,619
Number of shares outstanding ⁽¹⁾	1,422,986	1,300,737	1,255,600	1,035,011
Management expense ratio ⁽²⁾	2.99%	2.98%	2.81%	2.70%
Management expense ratio before waivers or absorptions	3.15%	3.13%	3.14%	3.04%
Trading expense ratio (%) ⁽³⁾	0.08%	0.15%	0.12%	0.17%
Portfolio turnover rate (%) ⁽⁴⁾	7.73%	16.02%	22.25%	7.52%
Net asset value per share	\$ 10.37	\$ 11.69	\$ 10.07	\$ 10.26

Series E	Last six months	2011	2010**
Total net asset value (000's) ⁽¹⁾	\$ 1,669	\$ 1,618	\$ 614
Number of shares outstanding ⁽¹⁾	161,946	139,778	62,055
Management expense ratio ⁽²⁾	2.31%	2.30%	2.13%
Management expense ratio before waivers or absorptions	2.46%	2.44%	2.45%
Trading expense ratio (%) ⁽³⁾	0.08%	0.15%	0.12%
Portfolio turnover rate (%) ⁽⁴⁾	7.73%	16.02%	22.25%
Net asset value per share	\$ 10.30	\$ 11.58	\$ 9.90

Series F	Last six months	2011	2010	2009*
Total net asset value (000's) ⁽¹⁾	\$ 10,513	\$ 12,327	\$ 10,035	\$ 11,085
Number of shares outstanding ⁽¹⁾	962,690	1,009,415	970,333	1,068,774
Management expense ratio ⁽²⁾	1.33%	1.32%	1.23%	1.13%
Management expense ratio before waivers or absorptions	1.49%	1.47%	1.56%	1.47%
Trading expense ratio (%) ⁽³⁾	0.08%	0.15%	0.12%	0.17%
Portfolio turnover rate (%) ⁽⁴⁾	7.73%	16.02%	22.25%	7.52%
Net asset value per share	\$ 10.92	\$ 12.21	\$ 10.34	\$ 10.37

* 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.

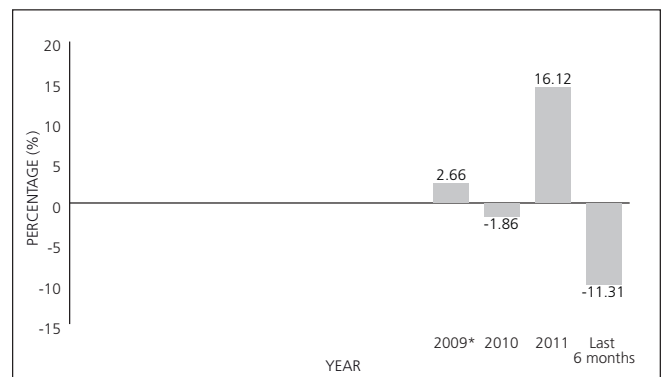
The past performance information assumes that all distributions were re-invested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser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

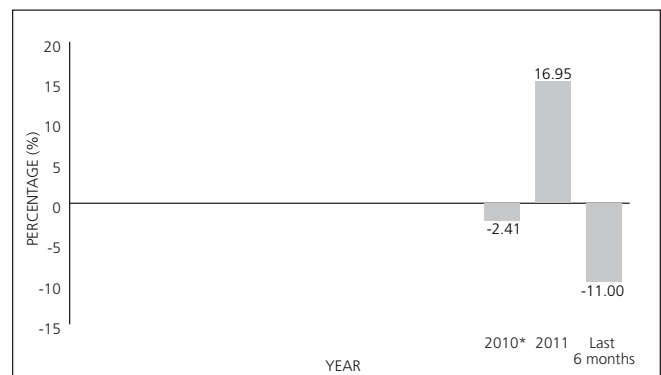
The charts also illustrate how the Class's performance has changed from year to year and in the last six months, and show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year and in the last six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

Year-by-year returns – Series B



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

Year-by-year returns – Series E



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

Russell Overseas Equity Class

Semi-Annual management report of fund performance

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
Vodafone Group PLC	2.0%
Canon Inc.	1.8%
Compass Group PLC	1.3%
GlaxoSmithKline PLC	1.3%
Royal Dutch Shell PLC, Class 'A'	1.3%
Novartis AG, Registered	1.3%
BP PLC	1.3%
Sanofi-Aventis SA	1.2%
HSBC Holdings PLC	1.2%
Nestlé SA, Registered, Series 'B'	1.1%
Tesco PLC	1.1%
Banco Santander Central Hispano SA, Registered	1.0%
ING Groep NV	1.0%
BG Group PLC	0.9%
ENI SPA	0.9%
Teva Pharmaceutical Industries Ltd.	0.9%
Telstra Corp. Ltd.	0.9%
Philip Morris Int'l Inc.	0.9%
Diageo Inc.	0.9%
Jardine Cycle & Carriage Ltd.	0.8%
Barclays PLC	0.8%
Samsung Electronics Co. Ltd.	0.8%
Zurich Financial Services AG	0.8%
Imperial Tobacco Group PLC	0.8%
Seven & i Holdings Co. Ltd.	0.8%
Net Asset Value (thousands of dollars)	\$26,937

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 December 31, 2011

	Percentage of net asset value of the Class
Financials	17.5%
Consumer Staples	14.4%
Health Care	11.0%
Consumer Discretionary	10.6%
Industrials	10.3%
Energy	9.9%
Information Technology	9.2%
Telecommunications Services	7.8%
Materials	5.6%
Utilities	3.7%

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

100 King Street West
1 First Canadian Place, Suite 5900
Toronto, Ontario, M5X 1E4

www.russell.com/ca



Russell Investments and its logo, LifePoints, Russell, Sovereign and Sovereign Investment Program are either registered trademarks or trademarks of Frank Russell Company.

M09E PCG-CC-REG-057E (1 02/11)

