

SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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# Russell US Equity Class

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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](http://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](http://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 US Equity Class

## Semi-Annual management report of fund performance

### Investment objective and strategies

The Class's investment objective is to provide income and long-term capital appreciation primarily through exposure to equity securities of U.S. issuers listed on recognized stock exchanges.

To achieve this objective, the Class invests in units of the Russell US Equity Pool (the "Underlying Fund").

The Class's investment in the Underlying Fund provides access to diversification that allocates among asset classes, investment styles and sub-advisers.

The current benchmark of the Class, against which its performance is compared, is the Russell 3000® Index ("Benchmark"). Each sub-adviser may have a different sub-adviser benchmark allocated to it in respect of the assets of the Underlying Fund managed by that sub-adviser that better reflects the investment style or market segment of that sub-adviser.

### Results of operations

For the six-month reporting period ending December 31, 2011, the Russell US Equity Class (the Class) returned -2.20%\*, while its Benchmark, the Russell 3000® Index, returned 0.22%.

During the reporting period, the Class's net assets increased by \$87 thousand, primarily as a result of a \$226 thousand loss relating to investment holdings, net subscriptions of \$716 thousand and a net investment loss of \$409 thousand. Net investment loss is comprised of total investment income earned by securities less the expenses of the Class. The Class's expenses increased by \$61 thousand (approximately 17%) from the previous period's expenses.

U.S. equity performance during the reporting period was a story of contrasts, with the third quarter of 2011 penalizing higher risk, economy-sensitive stocks, and the fourth quarter seeing a reversal of this trend, where positions in more volatile and cyclical stocks (those that tend to perform well when there is an expectation of accelerating growth in the economy) were rewarded. Early in the reporting period, U.S. equity markets declined sharply on rising fears of another U.S. recession and the uncertainty surrounding the European debt crisis. The ongoing political wrangling in Europe and the U.S. added to investors' concerns. While investors sought a detailed bailout package to deal with European Sovereign debt issues, European leaders continued to flip-flop on the urgency and extent of their intended action. The deeply partisan debate over raising the debt ceiling in Washington and the resulting downgrade of U.S. government debt by Standard & Poor's underlined the stalemate in U.S. politics. In this environment of uncertainty, despite many companies reporting better than expected earnings and maintaining their earnings outlook, stocks with higher growth potential and cyclical growth prospects were penalized more than defensive holdings, such as shares from the Utilities, Consumer Staples and Healthcare sectors. U.S. bank stocks were particularly punished as investors worried about the negative effects of the European debt crisis spreading from European banks. In addition, U.S. large capitalization stocks outperformed U.S. small capitalization stocks as investors looked for stability and refuge from volatility.

However, in the fourth quarter, more positive economic news emerged out of the U.S. in terms of improving employment, lower inflation and increases in housing starts. News of monetary easing by the European Central bank and the central banks of the U.S., Canada, Switzerland, Japan and the U.K., resulted in U.S. equity markets posting strong gains. During the fourth quarter, the more economy-sensitive Energy sector was the best performing sector. In addition, as investors exhibited a willingness to assume greater risk during this period, small capitalization stocks outperformed larger capitalization stocks.

Over the six-month reporting period, the Underlying Fund underperformed the Benchmark by 2.42%. The Underlying Fund's emphasis on stocks with high forecast growth and on stocks with more cyclical earnings patterns (companies that tend to have higher earnings when the rate of economic growth is increasing) was penalized during the third quarter. Stock selection also detracted

from performance during this period, specifically due to an underweight to International Business Machines Corp. and an overweight to Juniper Networks Inc. within the Technology sector and overweight exposure to Johnson Controls Inc. within the Consumer Discretionary sector. In the fourth quarter, the Underlying Fund finished ahead of the Benchmark, benefiting from a moderate overweight to higher growth stocks and stocks with more cyclical earnings. During this period, stock selection was more of a factor in the Underlying Fund's outperformance than sector weightings, with particularly strong results coming from Energy sector selections of Cobalt International Energy Inc., Williams Companies Inc., and El Paso Corp., and an underweight to Bank of America Corp. from within the Financial Services sector.

Three of the Underlying Fund's seven sub-advisers outperformed their respective benchmarks for the third quarter of 2011 and all seven had returns in excess of their benchmarks in the fourth quarter. Numeric Investors, LLC was one of the sub-advisers that bested its benchmark in both the third and fourth quarters of 2011. First Eagle Investment Management, LLC, which uses an event-driven strategy, slightly underperformed its benchmark in the third quarter, as it was overweight stocks with greater cyclical growth potential and underweight shares with high dividend yields. However, in the fourth quarter, as a result of highly responsive stock rotation and successful stock selection, First Eagle was able to outperform its benchmark under the differing market conditions in each of the three months.

### 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

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

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

The Underlying Fund is positioned for slower economic growth, with a focus on moderately higher risk stocks and those with a moderately higher return-on-equity potential. During the reporting period, the Underlying Fund increased its exposure to the Produce Durables and Healthcare sectors and reduced its positions in the Utilities and Consumer Discretionary sectors. Relative to the Benchmark, the Underlying Fund remains overweight to the Healthcare and Consumer Discretionary sectors and underweight to the Producer Durables and Utilities sectors.

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

\* 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 -1.87% and -1.40% 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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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	47%
Portfolio Manager expenses & other fees	53%

## Financial highlights

The following tables show selected key financial information about the Class and are intended to help you understand the Class's financial performance for the past years ended June 30 and for the six months ended December 31, 2011.

### The Class's net assets per share<sup>(1)</sup>

Series B	Last six months	2011	2010	2009*
<b>Net Assets, beginning of period</b>	\$ 12.11	\$ 10.19	\$ 9.96	\$ 10.00
<b>Increase (decrease) from operations</b>				
Total revenue	\$ -	\$ -	\$ -	\$ -
Total expenses	\$ (0.16)	\$ (0.32)	\$ (0.29)	\$ (0.17)
Realized gains (losses) for the period	\$ 0.15	\$ 0.28	\$ 0.25	\$ (0.02)
Unrealized gains (losses) for the period	\$ (0.23)	\$ 1.93	\$ 0.08	\$ 0.89
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.24)</b>	<b>\$ 1.89</b>	<b>\$ 0.04</b>	<b>\$ 0.70</b>
<b>Distributions</b>				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets at end of the period</b>	<b>\$ 11.84</b>	<b>\$ 12.11</b>	<b>\$ 10.19</b>	<b>\$ 9.96</b>

Series E	Last six months	2011	2010**
<b>Net Assets, beginning of period</b>	\$ 12.41	\$ 10.37	\$ 10.00
<b>Increase (decrease) from operations</b>			
Total revenue	\$ -	\$ -	\$ -
Total expenses	\$ (0.13)	\$ (0.25)	\$ (0.20)
Realized gains (losses) for the period	\$ 0.16	\$ 0.28	\$ 0.21
Unrealized gains (losses) for the period	\$ (0.10)	\$ 1.40	\$ (0.79)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.07)</b>	<b>\$ 1.43</b>	<b>\$ (0.78)</b>
<b>Distributions</b>			
From income (excluding dividends)	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets at end of the period</b>	<b>\$ 12.18</b>	<b>\$ 12.41</b>	<b>\$ 10.37</b>

# Russell US Equity Class

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### The Class's net assets per share<sup>(1)</sup> (cont'd)

Series F	Last six months	2011	2010	2009*
<b>Net Assets, beginning of period</b>	\$ 12.64	\$ 10.46	\$ 10.06	\$ 10.00
<b>Increase (decrease) from operations</b>				
Total revenue	\$ -	\$ -	\$ -	\$ -
Total expenses	\$ (0.07)	\$ (0.13)	\$ (0.12)	\$ (0.07)
Realized gains (losses) for the period	\$ 0.16	\$ 0.29	\$ 0.26	\$ (0.02)
Unrealized gains (losses) for the period	\$ (0.24)	\$ 1.94	\$ 0.30	\$ 0.97
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (0.15)</b>	<b>\$ 2.10</b>	<b>\$ 0.44</b>	<b>\$ 0.88</b>
<b>Distributions</b>				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	\$ -	\$ -	\$ -	\$ -
From capital gains	\$ -	\$ -	\$ -	\$ -
Return of capital	\$ -	\$ -	\$ -	\$ -
<b>Total annual distributions<sup>(3)</sup></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Assets at end of the period</b>	<b>\$ 12.46</b>	<b>\$ 12.64</b>	<b>\$ 10.46</b>	<b>\$ 10.06</b>

\* 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) <sup>(1)</sup>	\$ 22,373	\$ 21,534	\$ 16,869	\$ 13,149
Number of shares outstanding <sup>(1)</sup>	1,889,832	1,778,879	1,656,119	1,320,296
Management expense ratio <sup>(2)</sup>	2.94%	2.91%	2.75%	2.68%
Management expense ratio before waivers or absorptions	3.01%	3.03%	3.09%	3.02%
Trading expense ratio (%) <sup>(3)</sup>	0.12%	0.26%	0.34%	0.24%
Portfolio turnover rate (%) <sup>(4)</sup>	95.61%	14.39%	18.40%	6.15%
<b>Net asset value per share</b>	<b>\$ 11.84</b>	<b>\$ 12.11</b>	<b>\$ 10.19</b>	<b>\$ 9.96</b>

Series E	Last six months	2011	2010**
Total net asset value (000's) <sup>(1)</sup>	\$ 2,437	\$ 2,095	\$ 729
Number of shares outstanding <sup>(1)</sup>	200,130	168,853	70,224
Management expense ratio <sup>(2)</sup>	2.26%	2.23%	2.07%
Management expense ratio before waivers or absorptions	2.34%	2.36%	2.41%
Trading expense ratio (%) <sup>(3)</sup>	0.12%	0.26%	0.34%
Portfolio turnover rate (%) <sup>(4)</sup>	95.61%	14.39%	18.40%
<b>Net asset value per share</b>	<b>\$ 12.18</b>	<b>\$ 12.41</b>	<b>\$ 10.37</b>

Series F	Last six months	2011	2010	2009*
Total net asset value (000's) <sup>(1)</sup>	\$ 13,796	\$ 14,890	\$ 10,398	\$ 10,311
Number of shares outstanding <sup>(1)</sup>	1,106,941	1,177,975	993,897	1,024,913
Management expense ratio <sup>(2)</sup>	1.29%	1.26%	1.18%	1.11%
Management expense ratio before waivers or absorptions	1.37%	1.39%	1.52%	1.45%
Trading expense ratio (%) <sup>(3)</sup>	0.12%	0.26%	0.34%	0.24%
Portfolio turnover rate (%) <sup>(4)</sup>	95.61%	14.39%	18.40%	6.15%
<b>Net asset value per share</b>	<b>\$ 12.46</b>	<b>\$ 12.64</b>	<b>\$ 10.46</b>	<b>\$ 10.06</b>

\* 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.

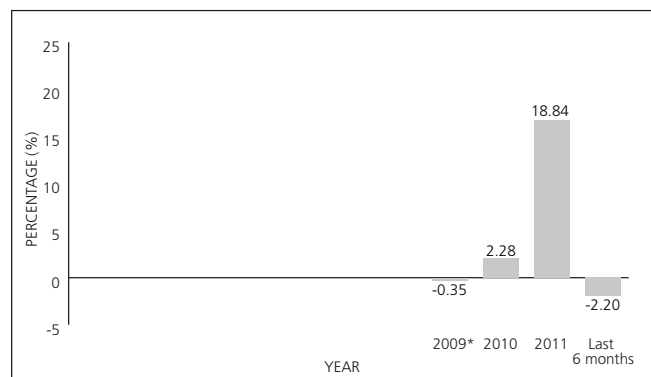
The past performance information assumes that all distributions were re-invested in additional shares of the same series of the Class. The past performance information does not take into account sales, redemption, optional fees, income taxes or fees paid directly to Russell or your investment adviser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

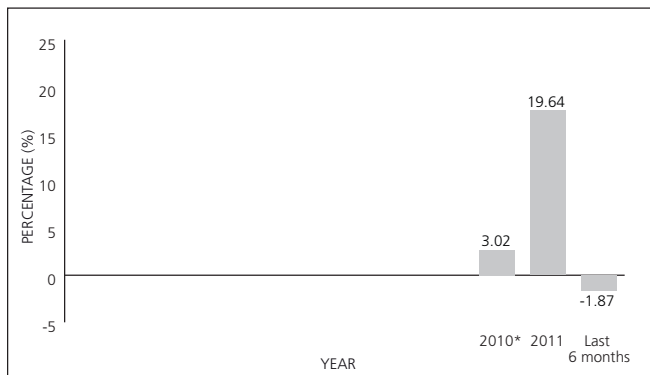


\*From October 31, 2008 to June 30, 2009 (not annualized)

# Russell US Equity Class

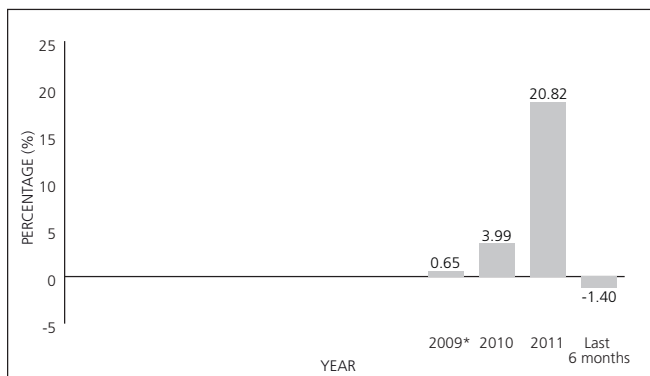
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## Year-by-year returns – Series E



\*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
Pfizer Inc.	2.5%
JPMorgan Chase & Co.	2.2%
Apple Inc.	2.2%
Google Inc., Class 'A'	1.7%
Exxon Mobil Corp.	1.6%
Microsoft Corp.	1.6%
Wells Fargo & Co.	1.5%
Pepsico Inc.	1.4%
Merck & Co. Inc.	1.3%
Johnson Controls Inc.	1.3%
Vodafone Group PLC	1.2%
Time Warner Inc.	1.2%
Metlife Inc.	1.1%
Williams Companies Inc. (The)	1.1%
Macy's Inc.	1.1%
Coca-Cola (The)	1.1%
Procter & Gamble Co.	1.1%
Texas Instruments Inc.	1.0%
Monsanto Co.	1.0%
Visa Inc.	1.0%
Cisco Systems Inc.	0.9%
Kraft Foods Inc.	0.9%
Gilead Sciences Inc.	0.8%
Anadarko Petroleum Corp.	0.8%
Honeywell Int'l Inc.	0.8%

Net Asset Value (thousands of dollars)

\$38,606

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](http://www.russell.com/ca). The prospectus and other information about the Underlying Fund is available at [www.russell.com/ca](http://www.russell.com/ca) or at [www.sedar.com](http://www.sedar.com).

### Sector Weights\*

As at December 31, 2011

	Percentage of net asset value of the Class
Information Technology	17.8%
Health Care	13.5%
Consumer Discretionary	12.6%
Financials	12.1%
Energy	11.3%
Consumer Staples	9.9%
Industrials	7.9%
Materials	4.3%
Telecommunication Services	2.7%
Utilities	1.6%

\*These are the portfolio holdings and sector weights of the Russell US Equity Pool, the Underlying Fund. The Class is exposed to these portfolio holdings and sector weights as a result of investing substantially all of its assets in units of the Underlying Fund.



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