Russell Investments

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

tel 416-362-8411
fax 416-362-4494

www.russell.com/ca

NOTICE TO UNITHOLDERS OF

LIFEPOINTS BALANCED INCOME PORTFOLIO
LIFEPOINTS BALANCED PORTFOLIO
LIFEPOINTS BALANCED GROWTH PORTFOLIO
LIFEPOINTS LONG-TERM GROWTH PORTFOLIO
LIFEPOINTS ALL EQUITY PORTFOLIO
(the "Funds")

Commencement of the Use of Derivatives by the Funds

Commencing 60 days after the date of this notice, each Fund may use derivatives as part of its investment strategies.

How derivatives are used

A *derivative* generally is a contract between a Fund and another party (referred to as the *counterparty*) where the value of the contract is based on, or *derived* from, the value or performance of another investment (which is referred to as the *underlying investment*). Examples of derivatives include options, debt-like securities, forward contracts, futures contracts and swaps. Each Fund may use derivatives for hedging and non-hedging purposes.

When a Fund uses derivatives for *hedging* purposes, the Fund is seeking to protect against potential losses due to changes in interest rates, foreign exchange rates, commodity prices or stock prices.

A Fund may use derivatives for *non-hedging* purposes for several reasons. For example, a derivative may be less expensive to buy and sell than the underlying investment. In some cases, a derivative may be more liquid than its underlying investment and may provide the Fund with a means to gain exposure to a particular market without actually buying securities in that market. As well, it sometimes is possible to change an investment portfolio more quickly by using a derivative rather than by purchasing and selling investments directly. Certain derivatives can enhance returns for other investments held by the Fund.

Each Fund also must hold a certain amount of cash to meet redemption requests. However, holding cash can make it difficult for a Fund to achieve its investment goals. In these circumstances, the Fund may use a derivative which allows the Fund to maintain its cash reserve while receiving a return on that cash reserve similar to that of a market index. For example, a Fund can enter into a futures contract linked to the S&P/TSX 60 stock index which provides a return similar to the return which would be achieved if the Fund purchased all of the stocks that make up that index, but purchasing the futures contract is faster and less expensive than directly purchasing all the stocks that make up that index.

Forward contracts also may be used. In a forward contract, the Fund enters into a contract with a counterparty to purchase or sell a security or a currency at a fixed date in the future at a fixed price. If the value of that forward contract increases, the forward contract may be sold prior to its maturity date to generate income for the Fund. A Fund may enter into a forward currency contract to effectively convert Canadian cash to foreign currency. In this way, the Fund predetermines the exchange rate for the cash as at a future date.

The Funds also may use other derivatives to the extent permitted by Canadian securities regulations or to the extent the Funds have received permission to deviate from these regulations. Derivatives will be used for non-hedging purposes only when a Fund has enough cash or securities to cover its exposure to the derivatives. Derivatives will not be used to leverage assets.

LifePoints Balanced Portfolio also has received an exemption from National Instrument 81-102 which permits this Fund to engage in the following derivatives transactions in accordance with certain conditions imposed by the exemption:

1. to enter into interest rate swaps and credit default swaps with a remaining term to maturity greater than 3 years,

2. to the extent that cash cover is required in respect of specified derivatives, to cover specified derivative positions with:

   (a) any bonds, debentures, notes or other evidences of indebtedness that are liquid and have a remaining term to maturity of 365 days or less and an "approved credit rating" as defined in NI 81-102 ("Fixed Income Securities"),

   (b) floating rate evidences of indebtedness ("FRNs") which are a "conventional floating rate debt instrument" as defined in NI 81-102 with principal amounts having a market value of approximately par at the time of each change in the rate to be paid and the interest rates are reset no later than every 185 days and

      (i) if the FRN is issued by the government of Canada or the government of a province or territory of Canada, the principal and interest of the FRN is fully and unconditionally guaranteed by such federal, provincial or territorial government,

      (ii) if the FRN is issued by the government of the United States of America, the government of one of the states of the United States of America, the government of another sovereign state, or a "permitted supranational agency" as defined in NI 81-102, the principal and interest of the FRN is fully and unconditionally guaranteed by such government or permitted supranational agency and the FRN has an "approved credit rating" as defined in NI 81-102, and

      (iii) if the FRN is issued by another person or company, the FRN has an "approved credit rating" as defined in NI 81-102, and

   (c) securities of money market mutual funds we manage to which NI 81-102 applies ("Money Market Fund Securities"),

3. to use as cover when this Fund has a long position in a debt-like security that has a component that is a long position in a forward contract, or in a standardized future or forward contract:

   (a) cash cover, Fixed Income Securities, FRNs and Money Market Fund Securities (collectively, "Cover") in an amount that, together with margin on account for the specified derivative and the market value of the specified derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the specified derivative,

   (b) a right or obligation to sell an equivalent quantity of the underlying interest of the future or forward contract, and Cover that together with margin on account for the position, is not less than the amount, if any, by which the strike price of the future or forward contract exceeds the strike price of the right or obligation to sell the underlying interest, or

   (c) a combination of the positions referred to in paragraphs (a) and (b) immediately above that is sufficient, without recourse to other assets of this Fund, to enable this Fund to acquire the underlying interest of the future or forward contract,

4. to use as cover, when this Fund has a right to receive payments under an interest rate swap:

(a) Cover in an amount that, together with margin on account for the swap and the market value of the swap, is not less than, on a daily mark-to-market basis, the underlying market exposure of the swap,

(b) a right or obligation to enter into an offsetting interest rate swap on an equivalent quantity and with an equivalent term and Cover that, together with margin on account for the position, is not less than the aggregate amount, if any, of the obligations of this Fund under the interest rate swap less the obligations of this Fund under such offsetting interest rate swap, or

(c) a combination of the positions referred to in paragraphs (a) and (b) immediately above that is sufficient, without recourse to other assets of this Fund, to enable this Fund to satisfy its obligations under the interest rate swap.

Guidelines of the Funds regarding the use of derivatives

Russell Investments Canada Limited (*Russell*, including *we*, *us* or *our*) have written investment guidelines relating to the use of derivatives by the Funds which, among other matters, set out the objectives and goals for derivatives trading by the Funds and the risk management procedures applicable to such trading. Our guidelines are reviewed on an ongoing basis by senior members of our portfolio management group. Our Chief Investment Officer is responsible for oversight of all derivative strategies permitted by the Funds. In addition, our compliance personnel review the use of derivatives by the Funds as part of our ongoing review of Fund activity. Setting limits and controls on the use of derivatives by the Funds are part of our compliance regime and include reviews and monitoring by analysts who ensure that the derivatives positions of the Funds are within such limits and controls.

The investment guidelines with sub-advisers to the Funds permit the sub-advisers to use derivatives in accordance with the investment objectives and strategies of the Funds and the requirements of National Instrument 81-102, subject to any exemptions obtained by the Funds. Each sub-adviser, in turn, is required to have written policies and procedures in place on the use of derivatives as investments within the Funds. These policies and procedures must set out specific procedures for the authorization, documentation, reporting, monitoring and review of derivative strategies and positions, which policies and procedures must be reviewed at least annually by the sub-adviser. We also require that each sub-adviser use risk management processes to monitor and measure the risks of all portfolio holdings, including the derivatives positions, in the Funds. The sub-advisers use risk measurement procedures or simulations to test the derivative holdings of the Funds under stress, where applicable.

Risks associated with derivatives used by the Funds

Derivatives have certain risks. Here are some of the most common ones:

- derivatives may not prevent changes in the market value of a Fund's investments or prevent losses if the market value of the investments falls
- a Fund may not be able to purchase or sell a derivative to make a profit or limit a loss
- derivatives can limit a Fund's ability to benefit from increases in the stock markets
- there is no guarantee that the counterparty in a derivative will meet its obligations
- if the counterparty in a derivative, or a third party holding assets of a Fund in connection with a derivative, goes bankrupt, the Fund could lose any collateral it deposited and any gains made on the derivative
- some derivatives traded on foreign markets may be harder to trade and have higher credit risk than derivatives traded in North America.

If you have any questions, please contact your financial advisor or Russell Investments at 888-509-1792.

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