

2009 QUARTERLY REPORT

LifePoints® Funds

JULY 31, 2009

FUND

Conservative Strategy Fund
Moderate Strategy Fund
Balanced Strategy Fund
Growth Strategy Fund
Equity Growth Strategy Fund
2010 Strategy Fund
2015 Strategy Fund
2020 Strategy Fund
2025 Strategy Fund
2030 Strategy Fund
2035 Strategy Fund
2040 Strategy Fund
2045 Strategy Fund
2050 Strategy Fund
In Retirement Fund

SHARE CLASS

A, C, E, R1, R2, R3, S
A, C, E, R1, R2, R3, S
A, C, E, R1, R2, R3, S
A, C, E, R1, R2, R3, S
A, C, E, R1, R2, R3, S
A, E, R1, R2, R3, S
R1, R2, R3
A, E, R1, R2, R3, S
R1, R2, R3
A, E, R1, R2, R3, S
R1, R2, R3
A, E, R1, R2, R3, S
R1, R2, R3
R1, R2, R3
R1, R2, R3

Russell Investment Company

Russell Investment Company is a series investment company with 38 different investment portfolios referred to as Funds. This Quarterly Report reports on 15 of these Funds.

Russell Investment Company

LifePoints® Funds

Quarterly Report

July 31, 2009 (Unaudited)

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Russell Investment Company - LifePoints® Funds.

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Russell Investments is a Washington, USA corporation, which operates through subsidiaries worldwide and is a subsidiary of The Northwestern Mutual Life Insurance Company.

Fund objectives, risks, charges and expenses should be carefully considered before investing. A prospectus containing this and other important information must precede or accompany this material. Please read the prospectus carefully before investing.

Securities distributed through Russell Financial Services, Inc. member FINRA, part of Russell Investments.

Russell Investment Company Conservative Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.0%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 79.7%		
Russell Short Duration Bond Fund	5,182,826	95,572
Russell Strategic Bond Fund	29,652,677	290,596
		<u>386,168</u>
Domestic Equities - 14.2%		
Russell Real Estate Securities Fund	635,647	15,058
Russell U.S. Core Equity Fund	1,361,282	29,390
Russell U.S. Quantitative Equity Fund	1,067,293	24,420
		<u>68,868</u>
International Equities - 6.1%		
Russell Global Equity Fund	1,429,840	9,880
Russell International Developed Markets Fund	714,748	19,820
		<u>29,700</u>
Total Investments - 100.0% (identified cost \$508,013)		484,736
Other Assets and Liabilities, Net - 0.0%		<u>170</u>
Net Assets - 100.0%		<u><u>484,906</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company Moderate Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 99.9%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 59.4%		
Russell Strategic Bond Fund	55,560,362	<u>544,492</u>
Domestic Equities - 26.2%		
Russell Real Estate Securities Fund	1,189,973	28,190
Russell U.S. Core Equity Fund	4,266,221	92,108
Russell U.S. Quantitative Equity Fund	4,015,663	91,878
Russell U.S. Small & Mid Cap Fund	1,756,430	<u>27,927</u>
		<u>240,103</u>
International Equities - 14.3%		
Russell Emerging Markets Fund	1,233,139	18,855
Russell Global Equity Fund	4,043,574	27,941
Russell International Developed Markets Fund	3,032,339	<u>84,087</u>
		<u>130,883</u>
Total Investments - 99.9% (identified cost \$1,031,492)		915,478
Other Assets and Liabilities, Net - 0.1%		<u>799</u>
Net Assets - 100.0%		<u><u>916,277</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company Balanced Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.0%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 38.9%		
Russell Strategic Bond Fund	157,138,214	<u>1,539,955</u>
Domestic Equities - 39.5%		
Russell Real Estate Securities Fund	8,650,472	204,930
Russell U.S. Core Equity Fund	27,879,080	601,909
Russell U.S. Quantitative Equity Fund	26,150,682	598,328
Russell U.S. Small & Mid Cap Fund	10,192,666	<u>162,063</u>
		<u>1,567,230</u>
International Equities - 21.6%		
Russell Emerging Markets Fund	8,099,861	123,847
Russell Global Equity Fund	23,462,250	162,124
Russell International Developed Markets Fund	20,532,349	<u>569,362</u>
		<u>855,333</u>
Total Investments - 100.0% (identified cost \$4,721,500)		3,962,518
Other Assets and Liabilities, Net - (0.0%)		<u>(1,201)</u>
Net Assets - 100.0%		<u><u>3,961,317</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company Growth Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.0%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 19.5%		
Russell Strategic Bond Fund	54,666,069	<u>535,727</u>
Domestic Equities - 53.0%		
Russell Real Estate Securities Fund	6,890,452	163,235
Russell U.S. Core Equity Fund	26,766,597	577,891
Russell U.S. Quantitative Equity Fund	23,970,787	548,452
Russell U.S. Small & Mid Cap Fund	10,445,597	<u>166,085</u>
		<u>1,455,663</u>
International Equities - 27.5%		
Russell Emerging Markets Fund	7,361,664	112,560
Russell Global Equity Fund	24,168,994	167,008
Russell International Developed Markets Fund	17,113,287	<u>474,551</u>
		<u>754,119</u>
Total Investments - 100.0% (identified cost \$3,524,238)		2,745,509
Other Assets and Liabilities, Net - (0.0%)		<u>(387)</u>
Net Assets - 100.0%		<u><u>2,745,122</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company Equity Growth Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.0%		
Other Russell Investment Company Series Mutual Funds		
Domestic Equities - 64.6%		
Russell Real Estate Securities Fund	3,922,212	92,917
Russell U.S. Core Equity Fund	15,747,285	339,984
Russell U.S. Quantitative Equity Fund	14,172,969	324,278
Russell U.S. Small & Mid Cap Fund	5,775,021	91,823
		<u>849,002</u>
International Equities - 35.4%		
Russell Emerging Markets Fund	4,334,694	66,278
Russell Global Equity Fund	13,395,832	92,565
Russell International Developed Markets Fund	11,017,901	305,526
		<u>464,369</u>
Total Investments - 100.0% (identified cost \$1,762,959)		1,313,371
Other Assets and Liabilities, Net - (0.0%)		<u>(520)</u>
Net Assets - 100.0%		<u><u>1,312,851</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2010 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.1%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 66.1%		
Russell Short Duration Bond Fund	213,329	3,934
Russell Strategic Bond Fund	4,014,073	39,338
		<u>43,272</u>
Domestic Equities - 22.4%		
Russell Real Estate Securities Fund	83,026	1,967
Russell U.S. Core Equity Fund	262,678	5,671
Russell U.S. Quantitative Equity Fund	247,868	5,671
Russell U.S. Small & Mid Cap Fund	86,593	1,377
		<u>14,686</u>
International Equities - 11.6%		
Russell Emerging Markets Fund	60,032	918
Russell Global Equity Fund	256,180	1,770
Russell International Developed Markets Fund	177,326	4,917
		<u>7,605</u>
Total Investments - 100.1% (identified cost \$69,154)		65,563
Other Assets and Liabilities, Net - (0.1%)		<u>(39)</u>
Net Assets - 100.0%		<u><u>65,524</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company 2015 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.1%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 56.1%		
Russell Strategic Bond Fund	399,686	3,917
Domestic Equities - 28.5%		
Russell Real Estate Securities Fund	10,015	237
Russell U.S. Core Equity Fund	35,509	767
Russell U.S. Quantitative Equity Fund	33,355	763
Russell U.S. Small & Mid Cap Fund	14,009	223
		1,990
International Equities - 15.5%		
Russell Emerging Markets Fund	10,081	154
Russell Global Equity Fund	32,513	224
Russell International Developed Markets Fund	25,420	705
		1,083
Total Investments - 100.1% (identified cost \$6,163)		6,990
Other Assets and Liabilities, Net - (0.1%)		(8)
Net Assets - 100.0%		6,982

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2020 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.0%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 44.3%		
Russell Strategic Bond Fund	7,119,734	<u>69,773</u>
Domestic Equities - 36.0%		
Russell Real Estate Securities Fund	310,457	7,355
Russell U.S. Core Equity Fund	1,008,937	21,783
Russell U.S. Quantitative Equity Fund	943,044	21,577
Russell U.S. Small & Mid Cap Fund	377,174	<u>5,997</u>
		<u>56,712</u>
International Equities - 19.7%		
Russell Emerging Markets Fund	294,786	4,507
Russell Global Equity Fund	868,356	6,000
Russell International Developed Markets Fund	737,707	<u>20,457</u>
		<u>30,964</u>
Total Investments - 100.0% (identified cost \$168,881)		157,449
Other Assets and Liabilities, Net - (0.0%)		<u>(65)</u>
Net Assets - 100.0%		<u><u>157,384</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2025 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.1%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 30.0%		
Russell Strategic Bond Fund	203,952	1,999
Domestic Equities - 45.9%		
Russell Real Estate Securities Fund	15,691	372
Russell U.S. Core Equity Fund	54,615	1,179
Russell U.S. Quantitative Equity Fund	51,241	1,172
Russell U.S. Small & Mid Cap Fund	20,882	332
		3,055
International Equities - 24.2%		
Russell Emerging Markets Fund	15,306	234
Russell Global Equity Fund	48,499	335
Russell International Developed Markets Fund	37,666	1,045
		1,614
Total Investments - 100.1% (identified cost \$5,846)		6,668
Other Assets and Liabilities, Net - (0.1%)		(9)
Net Assets - 100.0%		6,659

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2030 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.0%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 9.9%		
Russell Strategic Bond Fund	1,280,407	<u>12,548</u>
Domestic Equities - 58.8%		
Russell Real Estate Securities Fund	357,076	8,459
Russell U.S. Core Equity Fund	1,339,643	28,923
Russell U.S. Quantitative Equity Fund	1,258,010	28,783
Russell U.S. Small & Mid Cap Fund	516,388	<u>8,211</u>
		<u>74,376</u>
International Equities - 31.3%		
Russell Emerging Markets Fund	378,766	5,791
Russell Global Equity Fund	1,193,773	8,249
Russell International Developed Markets Fund	920,297	<u>25,520</u>
		<u>39,560</u>
Total Investments - 100.0%		
(identified cost \$145,505)		126,484
Other Assets and Liabilities, Net - (0.0%)		
		<u>(50)</u>
Net Assets - 100.0%		
		<u><u>126,434</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2035 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (except share amounts)

	Shares	Market Value \$
Investments - 100.2%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 10.0%		
Russell Strategic Bond Fund	42,760	419
Domestic Equities - 58.9%		
Russell Real Estate Securities Fund	11,582	274
Russell U.S. Core Equity Fund	44,529	961
Russell U.S. Quantitative Equity Fund	41,737	955
Russell U.S. Small & Mid Cap Fund	17,082	272
		2,462
International Equities - 31.3%		
Russell Emerging Markets Fund	12,377	189
Russell Global Equity Fund	39,641	274
Russell International Developed Markets Fund	30,519	847
		1,310
Total Investments - 100.2% (identified cost \$3,657)		4,191
Other Assets and Liabilities, Net - (0.2%)		(7)
Net Assets - 100.0%		4,184

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2040 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.0%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 9.9%		
Russell Strategic Bond Fund	947,971	<u>9,290</u>
Domestic Equities - 58.9%		
Russell Real Estate Securities Fund	261,867	6,204
Russell U.S. Core Equity Fund	990,196	21,378
Russell U.S. Quantitative Equity Fund	932,108	21,327
Russell U.S. Small & Mid Cap Fund	381,023	<u>6,058</u>
		<u>54,967</u>
International Equities - 31.2%		
Russell Emerging Markets Fund	280,307	4,286
Russell Global Equity Fund	880,484	6,084
Russell International Developed Markets Fund	678,390	<u>18,812</u>
		<u>29,182</u>
Total Investments - 100.0% (identified cost \$105,598)		93,439
Other Assets and Liabilities, Net - (0.0%)		<u>(42)</u>
Net Assets - 100.0%		<u><u>93,397</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2045 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (except share amounts)

	Shares	Market Value \$
Investments - 100.2%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 10.0%		
Russell Strategic Bond Fund	31,108	305
Domestic Equities - 58.9%		
Russell Real Estate Securities Fund	8,441	200
Russell U.S. Core Equity Fund	32,437	700
Russell U.S. Quantitative Equity Fund	30,508	698
Russell U.S. Small & Mid Cap Fund	12,447	198
		1,796
International Equities - 31.3%		
Russell Emerging Markets Fund	9,007	138
Russell Global Equity Fund	28,834	199
Russell International Developed Markets Fund	22,221	616
		953
Total Investments - 100.2% (identified cost \$2,924)		3,054
Other Assets and Liabilities, Net - (0.2%)		(5)
Net Assets - 100.0%		3,049

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

2050 Strategy Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.1%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 10.0%		
Russell Strategic Bond Fund	97,141	<u>952</u>
Domestic Equities - 58.8%		
Russell Real Estate Securities Fund	26,247	622
Russell U.S. Core Equity Fund	100,890	2,178
Russell U.S. Quantitative Equity Fund	94,864	2,171
Russell U.S. Small & Mid Cap Fund	38,747	<u>616</u>
		<u>5,587</u>
International Equities - 31.3%		
Russell Emerging Markets Fund	28,186	431
Russell Global Equity Fund	89,904	621
Russell International Developed Markets Fund	69,216	<u>1,919</u>
		<u>2,971</u>
Total Investments - 100.1% (identified cost \$8,023)		9,510
Other Assets and Liabilities, Net - (0.1%)		<u>(6)</u>
Net Assets - 100.0%		<u><u>9,504</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company In Retirement Fund

Schedule of Investments — July 31, 2009 (Unaudited)

Amounts in thousands (*except share amounts*)

	Shares	Market Value \$
Investments - 100.1%		
Other Russell Investment Company Series Mutual Funds		
Bonds - 67.1%		
Russell Short Duration Bond Fund	13,465	248
Russell Strategic Bond Fund	192,447	1,886
		<u>2,134</u>
Domestic Equities - 21.8%		
Russell Real Estate Securities Fund	4,211	100
Russell U.S. Core Equity Fund	12,426	268
Russell U.S. Quantitative Equity Fund	11,601	265
Russell U.S. Small & Mid Cap Fund	3,744	60
		<u>693</u>
International Equities - 11.2%		
Russell Emerging Markets Fund	2,635	40
Russell Global Equity Fund	12,424	86
Russell International Developed Markets Fund	8,352	232
		<u>358</u>
Total Investments - 100.1% (identified cost \$2,846)		3,185
Other Assets and Liabilities, Net - (0.1%)		<u>(4)</u>
Net Assets - 100.0%		<u><u>3,181</u></u>

See accompanying notes which are an integral part of this quarterly report.

Russell Investment Company

LifePoints® Funds

Notes to Quarterly Report — July 31, 2009 (Unaudited)

1. Organization

Russell Investment Company (the “Investment Company” or “RIC”) is a series investment company with 38 different investment portfolios referred to as Funds. This Quarterly Report reports on 15 of these Funds (each a “Fund” and collectively the “Funds”). The Investment Company is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. It is organized and operates as a Massachusetts business trust under a second amended and restated master trust agreement dated October 1, 2008. The Investment Company’s master trust agreement permits the Board of Trustees (the “Board”) to issue an unlimited number of shares of beneficial interest.

Russell Investment Management Company (“RIMCo”) is the Fund’s adviser and Russell Fund Services Company (“RFSC”), a wholly-owned subsidiary of RIMCo, is the Funds’ administrator and transfer agent.

Target Portfolio Funds

The Funds seek to achieve their objective by investing in the Class Y Shares of certain of the Investment Company’s Funds (the “Underlying Funds”) as set forth in the table below. RIMCo may modify the target asset allocation for any Fund and/or the Underlying Funds in which the Funds invest. From time to time, each Fund may adjust its investments within set limits based on RIMCo’s outlook for the economy, financial markets generally and relative market valuation of the asset classes represented by each Underlying Fund. Additionally, each Fund may deviate from set limits when, in RIMCo’s opinion, it is necessary to do so to pursue the Fund’s investment objective. In the future, the Funds may also invest in other funds which are not currently Underlying Funds.

Asset Class/Underlying Funds	Asset Allocation Targets as of March 1, 2009				
	Conservative Strategy Fund	Moderate Strategy Fund	Balanced Strategy Fund	Growth Strategy Fund	Equity Growth Strategy Fund
Bonds					
Russell Short Duration Bond Fund	20%	—%	—%	—%	—%
Russell Strategic Bond Fund	60	60	40	20	—
Domestic Equities					
Russell Real Estate Securities Fund	3	3	5	6	7
Russell U.S. Core Equity Fund	6	10	15	21	26
Russell U.S. Quantitative Equity Fund	5	10	15	20	25
Russell U.S. Small & Mid Cap Fund	—	3	4	6	7
International Equities					
Russell Emerging Markets Fund	—	2	3	4	5
Russell Global Equity Fund	2	3	4	6	7
Russell International Developed Markets Fund	4	9	14	17	23
	100%	100%	100%	100%	100%

Target Date Funds

Each of the Funds listed in the table below seeks to achieve its objective by investing in the Class Y Shares of Underlying Funds. The allocation of these Funds’ assets to the Underlying Funds in which they invest will become more conservative over time. At approximately the target year, the target allocations of each Strategy Fund to the Underlying Funds will be fixed at 68% exposure to Underlying fixed income funds and 32% exposure to Underlying equity funds. This means that you will have 32% of your investment exposed to the equity markets, and the risks of such exposure, while in retirement. Currently, RIMCo will manage each Fund according to its target asset allocation strategy and will not trade actively among Underlying Funds or attempt to capture short-term market opportunities. However, from time to time, RIMCo expects to modify the target asset allocation for the Funds and/or the Underlying Funds in which the Funds invest. In addition, the Funds may in the future invest in other funds which are not currently Underlying Funds.

Assets Class/Underlying Funds	Asset Allocation Targets as of March 1, 2009				
	2010 Strategy Fund	2015 Strategy Fund	2020 Strategy Fund	2025 Strategy Fund	2030 Strategy Fund
Bonds					
Russell Short Duration Bond Fund	6%	—%	—%	—%	—%
Russell Strategic Bond Fund	60	56	45	30	10
Domestic Equities					
Russell Real Estate Securities Fund	3	4	4	5	6
Russell U.S. Core Equity Fund	9	11	14	18	23
Russell U.S. Quantitative Equity Fund	9	11	13	18	23
Russell U.S. Small & Mid Cap Fund	2	3	4	5	6
International Equities					
Russell Emerging Markets Fund	1	2	3	4	5
Russell Global Equity Fund	3	3	4	5	7
Russell International Developed Markets Fund	7	10	13	15	20
	100%	100%	100%	100%	100%

Russell Investment Company

LifePoints® Funds

Notes to Quarterly Report, continued — July 31, 2009 (Unaudited)

Asset Class/Underlying Funds	Asset Allocation Targets as of March 1, 2009				
	2035 Strategy Fund	2040 Strategy Fund	2045 Strategy Fund	2050 Strategy Fund	In Retirement Fund
Bonds					
Russell Short Duration Bond Fund	—%	—%	—%	—%	8%
Russell Strategic Bond Fund	10	10	10	10	60
Domestic Equities					
Russell Real Estate Securities Fund	6	6	6	6	3
Russell U.S. Core Equity Fund	23	23	23	23	8
Russell U.S. Quantitative Equity Fund	23	23	23	23	8
Russell U.S. Small & Mid Cap Fund	6	6	6	6	2
International Equities					
Russell Emerging Markets Fund	5	5	5	5	1
Russell Global Equity Fund	7	7	7	7	3
Russell International Developed Markets Fund	20	20	20	20	7
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

2. Significant Accounting Policies

The following is a summary of the significant accounting policies consistently followed by the Funds in the preparation of this Quarterly Report. These policies are in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for investment companies. The presentation of these schedules of investments in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Quarterly Report. Actual results could differ from those estimates.

Security Valuation

The Funds value their portfolio securities, the shares of the Underlying Funds, at the current net asset value per share of each Underlying Fund.

The Underlying Funds value portfolio securities according to Board-approved securities valuation procedures, and pricing services which include market value procedures, fair value procedures and a description of the pricing services used by the Fund. Money market fund securities are priced using the amortized cost method of valuation, as are debt obligation securities maturing within 60 days at the time of purchase, unless the Board determines that amortized cost does not represent market value of short-term debt obligations. The Board has delegated the responsibility for administration of the securities valuation procedures to RFSC.

Ordinarily, the Underlying Funds value each portfolio security based on market quotations provided by pricing services or alternative pricing services or dealers (when permitted by the market value procedures). Generally, Underlying Fund securities are valued at the close of the market on which they are traded as follows:

- U.S. listed equities, equity and fixed income options and rights/warrants: Last sale price; last bid price if no last sale price.
- U.S. over-the-counter equities: Official closing price; last bid price if no closing price.
- Listed ADRs/GDRs: Last sale price; last bid price if no last sale price.
- Municipal bonds, U.S. bonds, Eurobonds/foreign bonds: Evaluated bid price; broker quote if no evaluated bid price.
- Futures: Settlement price.
- Bank loans and forwards: Mean between bid and asking price.
- Investments in other mutual funds are valued at their net asset value per share, calculated at 4 p.m. Eastern time or as of the close of the New York Stock Exchange, whichever is earlier.
- The value of swap agreements is equal to the Funds’ obligation (or rights) under swap contracts which will generally be equal to the net amounts to be paid or received under the contracts based upon the relative values of the positions held by each party to the contracts.
- Equity securities traded on a national foreign securities exchange or a foreign over the counter market are valued on the basis of the official closing price, or lacking the official closing price, at the last sale price of the primary exchange on which the security is traded.

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If market quotations are not readily available for a security or if subsequent events suggest that a market quotation is not reliable, the Underlying Funds will use the security's fair value, as determined in accordance with the fair value procedures. The effect of fair value pricing is that securities may not be priced on the basis of quotations from the primary market on which they are traded, but rather may be priced by another method that the Board believes reflects fair value. The fair value procedures may involve subjective judgments as to the fair value of securities. The use of fair value pricing by an Underlying Fund may cause the net asset value of its shares to differ significantly from the net asset value that would be calculated using normal pricing methods. Fair value pricing could also cause discrepancies between the daily movement of the value of Underlying Fund shares and daily movement of the benchmark index if the index is valued using another pricing method.

This policy is intended to assure that the Underlying Funds' net asset values fairly reflect security values as of the time of pricing. Events or circumstances affecting the values of Underlying Fund securities that occur between the closing of the principal markets on which they trade and the time the net asset value of Underlying Fund shares is determined may be reflected in the calculation of net asset values for each applicable Underlying Fund (and each Fund which invests in such Underlying Fund) when the Underlying Funds deem that the particular event or circumstance would materially affect such Underlying Fund's net asset value. Underlying Funds that invest primarily in frequently traded exchange-listed securities will use fair value pricing in limited circumstances since reliable market quotations will often be readily available. Underlying Funds that invest in foreign securities are likely to use fair value pricing more often since significant events may occur between the close of foreign markets and the time of pricing which would trigger fair value pricing of the foreign securities. Underlying Funds that invest in low-rated debt securities are also likely to use fair value pricing more often since the markets in which such securities are traded are generally thinner, more limited and less active than those for higher rated securities. Examples of events that could trigger fair value pricing of one or more securities are: a material market movement of the U.S. securities market (defined in the fair value procedures as the movement by a single major U.S. index greater than a certain percentage) or other significant event; foreign market holidays if on a daily basis, Fund exposure exceeds 20% in aggregate (all closed markets combined); a company development; a natural disaster; or an armed conflict.

Because foreign securities can trade on non-business days, the net asset value of a Fund's portfolio that includes an Underlying Fund which invests in foreign securities may change on days when shareholders will not be able to purchase or redeem fund shares.

The Funds adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"), effective November 1, 2008. In accordance with SFAS 157, fair value is defined as the price that the Funds would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. SFAS 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value including a pricing model and/or risk inherent in the inputs to the valuation technique. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 — quoted prices in active markets for identical investments
- Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Inputs used in valuing the Funds' investments for the period ended July 31, 2009 were Level one for all Funds.

Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from securities transactions, if any, are recorded on the basis of specific identified cost.

Investment Income

Distributions of income and capital gains from the Underlying Funds are recorded on the ex-dividend date.

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Guarantees

In the normal course of business the Funds enter into contracts that contain a variety of representations which provide general indemnifications. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds expect the risk of loss to be remote.

3. Federal Income Taxes

At July 31, 2009, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	Conservative Strategy Fund	Moderate Strategy Fund	Balanced Strategy Fund	Growth Strategy Fund	Equity Growth Strategy Fund
Cost of Investments	\$ 512,807,691	\$ 1,045,672,815	\$ 4,817,255,557	\$ 3,562,844,463	\$ 1,822,523,469
Unrealized Appreciation	\$ 2,957,049	\$ —	\$ 38,195,084	\$ 24,655,047	\$ 17,923,535
Unrealized Depreciation	(31,028,805)	(130,194,930)	(892,933,070)	(841,990,765)	(527,076,487)
Net Unrealized Appreciation (Depreciation)	\$ (28,071,756)	\$ (130,194,930)	\$ (854,737,986)	\$ (817,335,718)	\$ (509,152,952)

	2010 Strategy Fund	2015 Strategy Fund	2020 Strategy Fund	2025 Strategy Fund	2030 Strategy Fund
Cost of Investments	\$ 70,926,868	\$ 6,286,111	\$ 174,816,424	\$ 6,002,735	\$ 147,758,637
Unrealized Appreciation	\$ 181,328	\$ 704,275	\$ 57,904	\$ 664,917	\$ —
Unrealized Depreciation	(5,545,010)	—	(17,425,099)	—	(21,274,635)
Net Unrealized Appreciation (Depreciation)	\$ (5,363,682)	\$ 704,275	\$ (17,367,195)	\$ 664,917	\$ (21,274,635)

	2035 Strategy Fund	2040 Strategy Fund	2045 Strategy Fund	2050 Strategy Fund	In Retirement
Cost of Investments	\$ 3,810,599	\$ 107,155,890	\$ 3,002,336	\$ 8,132,566	\$ 2,877,561
Unrealized Appreciation	\$ 380,216	\$ 10,942	\$ 51,903	\$ 1,377,558	\$ 307,470
Unrealized Depreciation	—	(13,728,059)	—	—	—
Net Unrealized Appreciation (Depreciation)	\$ 380,216	\$ (13,717,117)	\$ 51,903	\$ 1,377,558	\$ 307,470

4. Subsequent Events

Management has evaluated events or transactions that may have occurred since July 31, 2009, that would merit recognition or disclosure in the financial statements. This evaluation was completed through September 29, 2009, the date the financial statements were issued.

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Shareholder Requests for Additional Information — July 31, 2009 (Unaudited)

A complete unaudited schedule of investments is made available generally no later than 60 days after the end of the first and third quarters of each fiscal year. These reports are available (i) free of charge, upon request, by calling the Funds at (800) 787-7354, (ii) at www.russell.com, (iii) on the Securities and Exchange Commission's website at www.sec.gov, and (iv) at the Securities and Exchange Commission's public reference room.

The Board has delegated to RIMCo, as RIC's investment adviser, the primary responsibility for monitoring, evaluating and voting proxies solicited by or with respect to issuers of securities in which assets of the Funds may be invested. RIMCo has established a proxy voting committee ("Committee") and has adopted written proxy voting policies and procedures ("P&P") and proxy voting guidelines ("Guidelines"). The Funds maintain a Portfolio Holdings Disclosure Policy that governs the timing and circumstances of disclosure to shareholders and third parties of information regarding the portfolio investments held by the Funds. A description of the P&P, Guidelines, Portfolio Holdings Disclosure Policy and additional information about Fund Trustees are contained in the Funds' Statement of Additional Information ("SAI"). The SAI is available (i) free of charge, upon request, by calling the Funds at (800) 787-7354, (ii) at www.russell.com, and (iii) on the Securities and Exchange Commission's website at www.sec.gov.

To reduce expenses, we may mail only one copy of the Funds' prospectus and each annual and semi-annual report to those addresses shared by two or more accounts. If you wish to receive individual copies of these documents, please contact your financial institution.

Some Financial Intermediaries may offer electronic delivery of the Funds' prospectus and annual and semiannual reports. Please contact your Financial Intermediary for further details.

Financial Statements of the Underlying Funds can be obtained at no charge by calling the Funds at (800) 787-7354.

Russell Investment Company

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