

Manager Change

The value of active management

*Effective
December 20,
2011, manager
changes will be
implemented for
four Russell
Investment
Company Funds*

Russell continually researches money managers from around the globe, allowing you to focus on the benefits of long-term diversification, active management and goal-oriented planning.

Manager changes effective December 20, 2011

Russell's research recently led to changes in the following Russell Investment Company (RIC) funds:

- Russell U.S. Small & Mid Cap Fund¹
- Russell Investment Grade Bond Fund
- Russell U.S. Core Equity Fund
- Russell Tax-Managed U.S. Large Cap Fund

Unless otherwise noted, investment objectives, risk parameters and fund portfolio characteristics such as valuation and growth relative to the funds' benchmarks will not materially change as a result of these manager changes.

Please see the funds' manager profile documents for further information on all the managers.

RUSSELL U.S. SMALL & MID CAP FUND

On January 1, 2012, this fund will be renamed the Russell U.S. Small Cap Equity Fund. In addition, the fund's principal investment strategy will change from investing primarily in common stocks of small and medium capitalization U.S. companies to investing primarily in common stocks of small capitalization U.S. companies. As a result, the fund's primary benchmark will change from the Russell 2500™ Index to the Russell 2000® Index. The fund defines small capitalization stocks as stocks of those companies represented by the Russell 2000® Index or within the capitalization range of the Russell 2000® Index as measured at its most recent reconstitution. The smallest 1,000 stocks in the Russell 2000® Index and stocks of companies within the capitalization range of the smallest 1,000 companies in the Russell 2000® Index as measured at its most recent reconstitution are also considered micro capitalization stocks.

The following manager changes are being made in accordance with the change in the fund's principal investment strategy. Until January 1, 2012, the fund will continue to operate pursuant to its current primary investment strategy. The fund's objective remains the same: *The fund seeks to provide long term capital growth.*

New Money Managers: Falcon Point Capital, LLC
Huber Capital Management LLC
EAM Investors, LLC
PENN Capital Management Company, Inc.

Terminated Money Manager: Tygh Capital Management, Inc.

New Manager: Falcon Point Capital, LLC (Falcon Point):

- Founded in 1986 and located in San Francisco, CA
- Lead manager is Michael L. Thomas
- Style assignment will be small cap growth and the sub-style is long term consistent growth.
- Falcon Point focuses on bottom-up research. The decision-making process relies primarily on proprietary research conducted directly with the senior management of prospective investments. Detailed in-house models are prepared on each company. Regular conversations with management, customers, suppliers and Wall Street analysts are conducted to confirm expectations and clarify new developments.
- The firm generally selects stocks of small cap U.S. companies.
- Targeted number of holdings: approximately 40
- Russell has been following Falcon Point since 2007.

New Manager: Huber Capital Management LLC (Huber):

- Founded in 2007 and located in Los Angeles, CA
- Lead manager is Joe Huber
- Style assignment will be microcap value and the sub-style is deep value.
- Huber employs a fundamental bottom-up approach to investing. Stock picking is viewed as the primary source of added value.
- The firm generally selects stocks of microcap U.S. companies.
- Targeted number of holdings: 40-50
- Russell has been following Huber since 2007.

New Manager: EAM Investors, LLC (EAM):

- Founded in 2007 and located in Cardiff-by-the-Sea, CA
- Lead manager is Travis Prentice
- Style assignment will be microcap growth and the sub-style is high earnings and price momentum.
- The primary emphasis is bottom-up stock selection through a blend of fundamental and technical analysis. EAM constructs the portfolio so that the majority of risk is derived from stock selection. The most significant factor exposure is momentum. Given the approach to stock selection, the process will overweight sectors that are outperforming the market, and as a result, meaningful tracking error is derived from sector deviation.
- The firm generally selects stocks of microcap U.S. companies.
- Targeted number of holdings: 100- 130

- Russell has been following EAM since 2007.

New Manager: PENN Capital Management Company, Inc (PENN):

- Founded in 1987 and located in Philadelphia, PA
- Lead manager is Richard Hocker
- Style assignment will be market-oriented small and microcap stocks.
- PENN's in-depth knowledge of the credit markets is designed to lead to early identification of "crossover" equity opportunities. PENN's credit research, which focuses on balance sheet and cash flow multiples (as opposed to earnings multiples) is intended to provide PENN with equity opportunities that may not yet be identified by other equity managers.
- The firm generally selects stocks of small and microcap U.S. companies.
- Targeted number of holdings: 60 - 100
- Russell has been following PENN since 1998.

Terminated Manager: Tygh Capital Management, Inc.

- Originally introduced into fund in 2005.
- Style assignment was growth. The sub-style was primarily consistent growth.
- Targeted number of holdings: 80-90

Russell U.S. Small & Mid Cap Fund			
	Role	Previous target weight*	Current target weight*
ClariVest Asset Management, LLC	Market-oriented	15%	10%
Jacobs Levy Equity Management, Inc.	Value	12%	12.5%
Chartwell Investment Partners	Value	10%	12.5%
Tygh Capital Management, Inc.	Growth	15%	0%
Ranger Investment Management, L.P.	Growth	16%	12.5%
Signia Capital Management, LLC	Value	10%	7.5%
Next Century Growth Investors. LLC	Growth	10%	7.5%
DePrince, Race & Zollo, Inc.	Value	12%	12.5%
Falcon Point Capital, LLC	Growth	0%	10%
Huber Capital Management LLC	Value	0%	5%
EAM Investors, LLC	Growth	0%	5%
PENN Capital Management Company, Inc.	Market-oriented	0%	5%

* In addition to the managed fund assets, the fund maintains a percentage of its assets in cash. Cash reserves are exposed to the performance of the appropriate markets by purchasing equity securities and/or derivatives.

The above represents the percentage of fund assets allocated to money managers, excluding the fund's cash reserves. Fund assets not allocated to money managers are managed directly by Russell for a variety of purposes.

RUSSELL INVESTMENT GRADE BOND FUND

New Money Manager: Logan Circle Partners, L.P.

New Manager: Logan Circle Partners, L.P.

- Founded in 2007 and located in Philadelphia, PA
- Lead manager is Andrew Kronschnabel
- Style assignment will be sector strategies
- Logan Circle brings to the fund a bottom-up, issuer specific evaluation approach, which is intended to complement the top-down, macro economic processes of other managers in the fund. It seeks to find value in out-of-favor sectors and securities.
- Logan Circle Partners, L.P. is currently an underlying money manager in the RIC Russell Strategic Bond Fund and the RIC Russell Short Duration Bond Fund. The investment strategies used by this manager for each fund may differ.
- Targeted number of holdings: 400-700

Russell Investment Grade Bond Fund			
	Role	Previous target weight*	Current target weight*
Metropolitan West Asset Management, LLC	Sector Strategies	22.5%	Up to 22.5%
Neuberger Berman Fixed Income, LLC	Enhanced Core	25%	Up to 30%
Pacific Investment Management Company	Fully discretionary	30%	Up to 30%
Western Asset Management Company	Fully discretionary	22.5%	Up to 22.5%
Logan Circle Partners, L.P.**	Sector strategies	0%	Up to 30%**

* In addition to the managed fund assets, the fund maintains a percentage of its assets in cash. Cash reserves are exposed to the performance of the appropriate markets by purchasing equity securities and/or derivatives.

The above represents the percentage of fund assets allocated to money managers, excluding the fund's cash reserves. Fund assets not allocated to money managers are managed directly by Russell for a variety of purposes.

**Logan Circle was hired as of 12/20/2011 and the transition of assets is ongoing.

RUSSELL U.S. CORE EQUITY FUND

New Money Manager: Sustainable Growth Advisers, LP

Terminated Money Managers: Montag & Caldwell, LLC
First Eagle Investment Management, LLC
MFS Institutional Advisors, Inc.

New Manager: Sustainable Growth Advisers, LP

- Founded in 2003 and located in Stamford, CT
- Lead managers are George Fraise, Gordon Marchand, Robert Rohn
- Style assignment will be large cap growth
- Sustainable Growth Advisers, LP provides a fundamental bottom-up strategy that emphasizes globally focused companies selling at what it believes to be attractive valuations with sustainable earnings and cash flow growth expectations.
- Sustainable Growth Advisers, LP is currently an underlying money manager in the RIC Russell U.S. Growth Fund and the RIC Russell Tax-Managed U.S. Large Cap Fund.
- Targeted number of holdings: 20-30

Terminated Manager: Montag & Caldwell, LLC

- Originally introduced into fund in 2002.
- Style assignment was large cap growth.
- Targeted number of holdings: 30-40 securities

Terminated Manager: First Eagle Investment Management, LLC

- Originally introduced into fund in 2007.
- Style assignment was mid to large cap market-oriented.
- Targeted number of holdings: 25 – 30 securities

Terminated Manager: MFS Institutional Advisors, Inc.

- Originally introduced into fund in 2001.
- Style assignment was large cap value.
- Targeted number of holdings: Approximately 50

Russell U.S. Core Equity Fund			
	Role	Previous target weight*	Current target weight*
Columbus Circle Investors	Growth	11%	10%
BlackRock Capital Management, Inc	Growth	10%	11%
Sustainable Growth Advisers, LP	Growth	0%	13%
Montag & Caldwell, LLC	Growth	11%	0%
Suffolk Capital Management, LLC	Market-oriented	11%	9%
Lazard Asset Management, LLC	Market-oriented	12%	18%
Russell Investment Management Company	Market-oriented	5%	5%
First Eagle Investment Management, LLC	Market-oriented	5%	0%
Snow Capital Management, L.P.	Value	6%	6%
Institutional Capital, LLC	Value	13%	21%
Schneider Capital Management Corporation	Value	6%	7%
MFS Institutional Advisors, Inc.	Value	10%	0%

* In addition to the managed fund assets, the fund maintains a percentage of its assets in cash. Cash reserves are exposed to the performance of the appropriate markets by purchasing equity securities and/or derivatives.

The above represents the percentage of fund assets allocated to money managers, excluding the fund's cash reserves. Fund assets not allocated to money managers are managed directly by Russell for a variety of purposes.

RUSSELL TAX-MANAGED U.S. LARGE CAP FUND

New Money Manager: NWQ Investment Management Company, LLC

Terminated Money Manager: Palisades Investment Partners, LLC

New Manager: NWQ Investment Management Company, LLC

- Founded in 1982 and located in Los Angeles, CA
- Lead manager is Jon Bosse
- Style assignment will be large cap value
- NWQ Investment Management Company, LLC uses an active approach to equity investing that emphasizes fundamental analysis and bottom-up stock selection.
- Targeted number of holdings: 35 - 50

Terminated Manager: Palisades Investment Partners, LLC

- Originally introduced into fund in 2006.
- Style assignment was large cap value.
- Targeted number of holdings: 20-30 securities

Russell Tax-Managed U.S. Large Cap Fund			
	Role	Previous target weight*	Current target weight*
Sands Capital Management, Inc.	Growth	20%	18%
Sustainable Growth Advisers, LP	Growth	12%	14%
J.P. Morgan Investment Management, Inc.	Market-oriented	32%	32%
Armstrong Shaw Associates, Inc.	Value	21%	19%
NWQ Investment Management Company, LLC	Value	0%	17%
Palisades Investment Partners, LLC	Value	15%	0%

* In addition to the managed fund assets, the fund maintains a percentage of its assets in cash. Cash reserves are exposed to the performance of the appropriate markets by purchasing equity securities and/or derivatives.

The above represents the percentage of fund assets allocated to money managers, excluding the fund's cash reserves. Fund assets not allocated to money managers are managed directly by Russell for a variety of purposes.

Fund objective, risks, charges and expenses should be carefully considered before investing. A prospectus containing this and other important information can be obtained by calling (800) 787-7354 or visiting www.russell.com. Please read the prospectus carefully before investing.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

Money managers listed are current as of 12/20/11. Subject to the Funds' Board approval, Russell has the right to engage or terminate a money manager at any time and without a shareholder vote, based on an exemptive order from the Securities and Exchange Commission. Please refer to the most recent prospectus, which will contain the latest information.

Micro capitalization (micro cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than \$ 1 billion) than larger company stocks (large cap) or many small company stocks (small cap). Micro cap investments are subject to considerable price fluctuations and are more volatile than large or small company stocks. Investors should consider the additional risks involved in micro cap investments

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

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

Copyright © Russell Investments 2011. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments. It is delivered on an "as is" basis without warranty.

Securities products and services offered through Russell Financial Services, Inc., member FINRA, part of Russell Investments.

First used December 2011. RFS 11-6980