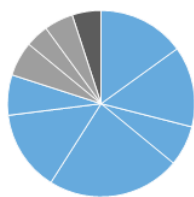


LifePoints® Funds  
Target Portfolio Series  
**Equity Growth Strategy Fund - Class S**  
3Q11 Quarterly Review

## Underlying fund allocation



## Equity

15% U.S. Core Equity  
14% U.S. Quantitative Equity  
7% U.S. Small & Mid Cap  
23% Int'l Developed Markets  
14% Global Equity  
7% Emerging Markets

## Real Asset

6% Commodity Strategies  
4% Global Infrastructure  
5% Global Real Estate Securities

## Fixed Income

5% Global Opportunistic Credit

## Calendar year returns

2001	2002	2003	2004	2005
-11.93%	-18.86%	34.51%	15.09%	10.26%
2006	2007	2008	2009	2010
18.92%	7.73%	-41.99%	31.09%	14.07%

## Performance review

	ANNUALIZED						SINCE INCEPTION <sup>†</sup> (9/30/97)
	QTR	YTD	1YR	3YR	5YR	10YR	
<b>EQUITY GROWTH STRATEGY FUND - CLASS S (%)</b> <sup>*(a),(b)</sup>	<b>-17.74</b>	<b>-13.69</b>	<b>-5.71</b>	<b>-0.89</b>	<b>-2.70</b>	<b>3.98</b>	<b>2.85</b>
EQUITY (Russell 1000® Index)	-14.68	-9.25	0.91	1.61	-0.91	3.28	3.35
BONDS (Barclays Capital U.S. Aggregate Bond Index)	3.82	6.65	5.26	7.97	6.53	5.66	6.23
CASH (Barclays Capital 3-month U.S. Treasury Bill)	0.01	0.07	0.11	0.18	1.61	1.91	--
<b>*ANNUAL FUND OPERATING EXPENSES %:</b>	Total		1.38	Net		1.21	

## Growth of \$10,000 (invested since 09/30/97)



## Underlying fund performance – Russell Funds Class Y (%)

	QTR	YTD	ANNUALIZED					SINCE INCEPTION	INCEPTION DATE <sup>‡</sup>	ANNUAL FUND OP EXPENSE*	
			1 YEAR	3 YEAR	5 YEAR	10 YEAR	TOTAL			NET	
<b>Russell U.S. Core Equity</b>	-16.66	-12.89	-2.29	-0.68	-2.15	2.60	9.75	10/15/81	0.64	0.64	
<b>Russell U.S. Quantitative Equity</b>	-15.12	-6.77	3.39	0.45	-2.45	2.31	8.06	05/29/87	0.83	0.83	
<b>Russell U.S. Small &amp; Mid Cap</b>	-21.40	-16.34	-2.52	-0.03	-2.17	5.31	10.02	12/28/81	0.81	0.81	
<b>Russell Int'l Developed Markets</b>	-20.79	-17.50	-11.81	-2.79	-4.29	4.45	9.00	01/31/83	0.82	0.82	
<b>Russell Global Equity</b>	-18.97	-14.96	-6.33	0.74	--	--	-4.53	02/28/07	1.07	1.07	
<b>Russell Emerging Markets</b>	-22.85	-22.45	-17.13	6.51	5.04	15.93	6.73	01/29/93	1.37	1.37	
<b>Russell Commodity Strategies<sup>*(a)</sup></b>	-11.07	-11.62	1.98	--	--	--	10.41	06/30/10	1.65	1.14	
<b>Russell Global Infrastructure<sup>*(a)</sup></b>	-14.16	-7.10	-2.49	--	--	--	-2.49	09/30/10	1.48	1.23	
<b>Russell Global Real Estate Securities<sup>†</sup></b>	-18.99	-14.46	-10.30	-4.88	-4.47	8.21	9.55	07/28/89	0.93	0.93	
<b>Russell Global Opportunistic Credit<sup>†*(a)</sup></b>	-5.70	-1.91	-1.44	--	--	--	-1.44	09/30/10	1.21	0.94	

Performance information is historical and does not guarantee future results. Investment return and principal value will fluctuate so that redeemed shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current to the most recent month-end performance for Russell mutual funds is available by visiting [www.russell.com/us/fundperformance](http://www.russell.com/us/fundperformance).

<sup>†</sup>On 10/1/10, the Russell Real Estate Securities Fund was renamed the Russell Global Real Estate Securities Fund. On 3/1/11, the Russell Global Credit Strategies Fund was renamed the Russell Global Opportunistic Credit Fund.

<sup>‡</sup> For additional information about fund performance since inception, see the performance notes on the disclosure page.

\* The Net Annual Operating Expense Ratio may be less than the Total Operating Expense Ratio and represents the actual expenses expected to be borne by shareholders after application of (a) a contractual advisory fee waiver and/or reimbursement through February 29, 2012; and (b) a contractual cap on expenses through February 29, 2012. These contractual agreements may not be terminated during the relevant periods except at the Board of Trustee's discretion. Details of these agreements are in the current prospectus. Absent these reductions, the fund's return would have been lower.

Money managers	Manager style	Percentage
* <i>New this quarter</i>		
<b>Russell U.S. Core Equity</b>		<b>15.00%</b>
Columbus Circle	Growth	1.65%
BlackRock	Growth	1.50%
Montaq & Caldwell	Growth	1.65%
First Eagle	Market-oriented	0.75%
RIMCo†	Market-oriented	0.75%
Suffolk	Market-oriented	1.65%
Lazard	Market-oriented	1.80%
Snow Capital	Value	0.90%
Institutional Capital	Value	1.95%
MFS	Value	1.50%
Schneider	Value	0.90%
<b>Russell U.S. Quantitative Equity</b>		<b>14.00%</b>
AJO	Market-oriented	1.40%
INTECH	Market-oriented	3.36%
Numeric Investors	Market-oriented	3.08%
Jacobs Levy	Market-oriented	3.08%
PanAqora	Market-oriented	3.08%
<b>Russell U.S. Small &amp; Mid Cap</b>		<b>7.00%</b>
Next Century Growth	Growth	0.70%
Ranger	Growth	1.12%
Tygh Capital	Growth	1.05%
ClariVest	Market-oriented	1.05%
Chartwell	Value	0.70%
DePrince, Race & Zollo	Value	0.84%
Jacobs Levy	Value	0.84%
Signia Capital	Value	0.70%
<b>Russell Int'l Developed Markets</b>		<b>23.00%</b>
Axiom	Growth	1.84%
Marsico	Growth	2.99%
* Driehaus	Growth	1.15%
William Blair & Co.	Growth	2.07%
AQR Capital	Market-oriented	3.22%
MFS	Market-oriented	2.76%
del Rey	Value	2.53%
Pzena	Value	3.22%
Mondrian	Value	3.22%

Money managers	Manager style	Percentage
<b>Russell Global Equity</b>		<b>14.00%</b>
T. Rowe Price	Growth	2.80%
GLG Inc.	Market-oriented	2.10%
MFS	Market-oriented	2.80%
Harris Associates	Value	2.80%
Tradewinds	Value	2.10%
Sanders Capital, LLC	Value	1.40%
<b>Russell Emerging Markets</b>		<b>7.00%</b>
UBS	Growth	0.88%
Arrowstreet	Market-oriented	1.05%
Genesis	Market-oriented	1.23%
Harding Loevner	Market-oriented	1.40%
Victoria 1522	Market-oriented	0.53%
AllianceBernstein	Value	1.05%
Delaware Management	Value	0.88%
<b>Russell Commodity Strategies</b>		<b>6.00%</b>
Goldman Sachs	Global Market-oriented	2.40%
Credit Suisse	Global Market-oriented	2.40%
Jefferies	Global Market-oriented	1.20%
<b>Russell Global Infrastructure</b>		<b>4.00%</b>
Cohen & Steers	Global Market-oriented	0.80%
Nuveen	Global Market-oriented	1.60%
Macquarie Capital	Global Market-oriented	1.60%
<b>Russell Global Real Estate Securities</b>		<b>5.00%</b>
Cohen & Steers	Global Market-oriented	1.70%
INVESCO	Global Market-oriented	1.65%
AEW	Global Market-oriented	1.65%
<b>Russell Global Opportunistic Credit</b>		<b>5.00%</b>
Oaktree Capital	Sector strategies	2.00%
Stone Harbor	Sector strategies	2.00%
DDJ Capital	Sector strategies	1.00%
<b>TOTAL</b>		<b>100.00%</b>

*The LifePoints Funds are a series of fund of funds which expose an investor to the risks of the underlying funds proportionate to their allocation. Investment in LifePoints Funds involves direct expenses of each fund and indirect expenses of the underlying funds, which together can be higher than those incurred when investing directly in an underlying fund.*

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

Money managers listed are current as of 9/30/11. Subject to the fund's 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. Investments in the Funds are not deposits with or other liabilities of any of the money managers and are subject to investment risk, including loss of income and principal invested and possible delays in payment of redemption proceeds. The money managers do not guarantee the performance of any Fund or any particular rate of return.

†The Fund's adviser, Russell Investment Management Company (RIMCo) may employ a proprietary "select holdings" strategy in which it exercises investment discretion for a portion of the Fund's assets it determines not to allocate to the money managers. The strategy is designed to increase the Fund's exposure to stocks that are viewed as attractive by multiple money managers. The use of the select holdings strategy will amplify the Fund's security risk and potential underperformance. In addition to managing this strategy, RIMCo performs other investment advisory functions for the Funds.

## Manager and fund changes in the Equity Growth Strategy Fund

The value of active management - 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

#### Russell International Developed Markets Fund

Effective 9/15/2011

Terminated: UBS Global Asset Management (Americas) Inc.

Added: Driehaus Capital Management LLC

### Fund changes

No fund changes this quarter.

### 3 month Contributing factors

- Global infrastructure strategies contributed positively to performance due to an overweight to gas utilities and strong stock selection in water utilities. This overweight to utilities helped mitigate losses due to overall market contraction and negative absolute returns.
- Commodity strategies contributed positively due to contract selection and curve positioning. Managers selected contracts in deferred months in the energy sector, which was beneficial because spreads weakened in the crude oil complex.
- Quantitative equity investments outperformed for the quarter, yet suffered in absolute returns because macro-economic factors overrode company fundamentals. However, exposure to equities with higher return on equity (ROE), return on assets (ROA) and dividend yield benefited performance.

### 12 month Contributing factors

- Quantitative equity strategy posted strong performance during the year. This strategy provided positive absolute returns, reflective of improving market conditions for quantitative managers. This can be attributed to improved breadth of factor payoffs, as beta no longer dominated returns.
- U.S. small-cap and mid-cap investment option performed well during the period. Stock selection was positive within the majority of sectors, particularly health care. Overweight exposure to higher earnings growth and positive earnings revisions was also beneficial.
- Emerging markets strategy's outperformance was driven by an overweight to telecommunication services and an underweight to industrials. However, due to macro-economic fears, lower commodity prices and inflation fears, emerging markets as a whole had negative absolute returns.

### 3 month Detracting factors

- Global real estate strategy underperformed due to weak performance in Asia, poor selection in Hong Kong and Singapore, and an underweight to Japanese real estate investment trusts (REITs). The macro-economic environment resulted in negative absolute performance.
- Global equity markets were positioned for a moderate growth environment so it underperformed as the global economy slowed. Overweight to emerging markets, which sold off during the quarter, also hurt returns.

### 12 month Detracting factors

- U.S. core equity investments detracted from performance. Sub-par selection in financials and energy, combined with a heavy underweight to utilities, led to negative returns for the year. Overall negative returns in equities due to a poor macro-economic environment.
- Commodity strategies detracted from performance for the period largely because of weighting differences. Due to its diversified allocation to various commodity sectors, commodity strategies can underperform individual sector products, such as gold exchange traded funds (ETFs), at times.
- Within global real estate, North America delivered a modest positive return, while the Asia-Pacific region experienced negative returns. Underweight to North America and its overweight to the Asia-Pacific region were the primary performance detractors.

- U.S. equity market down across all sectors and styles during quarter. The only equity asset class positive for one-year.
- Developed non-U.S. equity struggles influenced by European concerns.
- Emerging markets have been short-term laggard, but long-term leader among equity classes.
- U.S. Bond markets benefit from falling rates to deliver strong quarter and YTD results.
- Global REITs have fared better than non-U.S. markets, but trailing U.S. equity returns.
- Concerns about slowing economic growth lead to second consecutive difficult quarter for commodities.

**U.S. Equity:** (Russell 3000®) U.S. stock index which includes the 3,000 largest U.S. stocks as measured by market capitalization

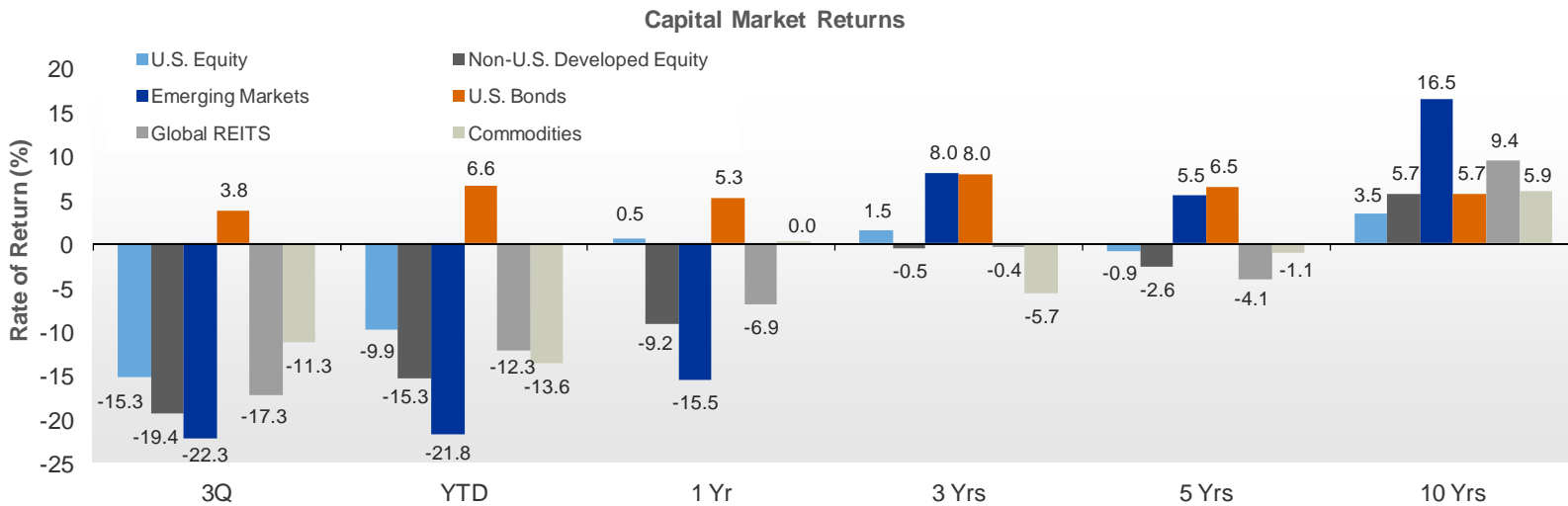
**Non-U.S. Developed Equity:** (Russell Developed ex-U.S. Large Cap) International market index that includes Western Europe, Japan, Australia and Canada

**Emerging Markets:** (Russell Emerging Markets) Emerging markets index that includes S. Korea, Brazil, Russia, India, and China

**U.S. Bonds:** (BC Agg Bond) Broad index for U.S. Fixed Income market

**Global REITs:** (FTSE EPRA/NAREIT) Index for global publicly traded real estate securities

**Commodities:** (DJ UBS Comm) Broad index of common commodities



Source: Russell, Barclays Capital, Dow Jones, and FTSE NAREIT  
 Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

What worked this quarter

Equities

- Utilities -4%
- Consumer Staples -5%
- Japan -5%

Fixed Income

- U.S. Treasuries +6%
- Municipal Bonds +4%

Real Assets

- Livestock +6% / Precious Metals +2%

What didn't work this quarter

Equities

- Small Cap -22%
- Energy, Financial Services, Producer Durables -21%
- Greece -44%, Italy & Germany -31%

Fixed Income

- Global High Yield -8%
- Emerging Market Debt -3%

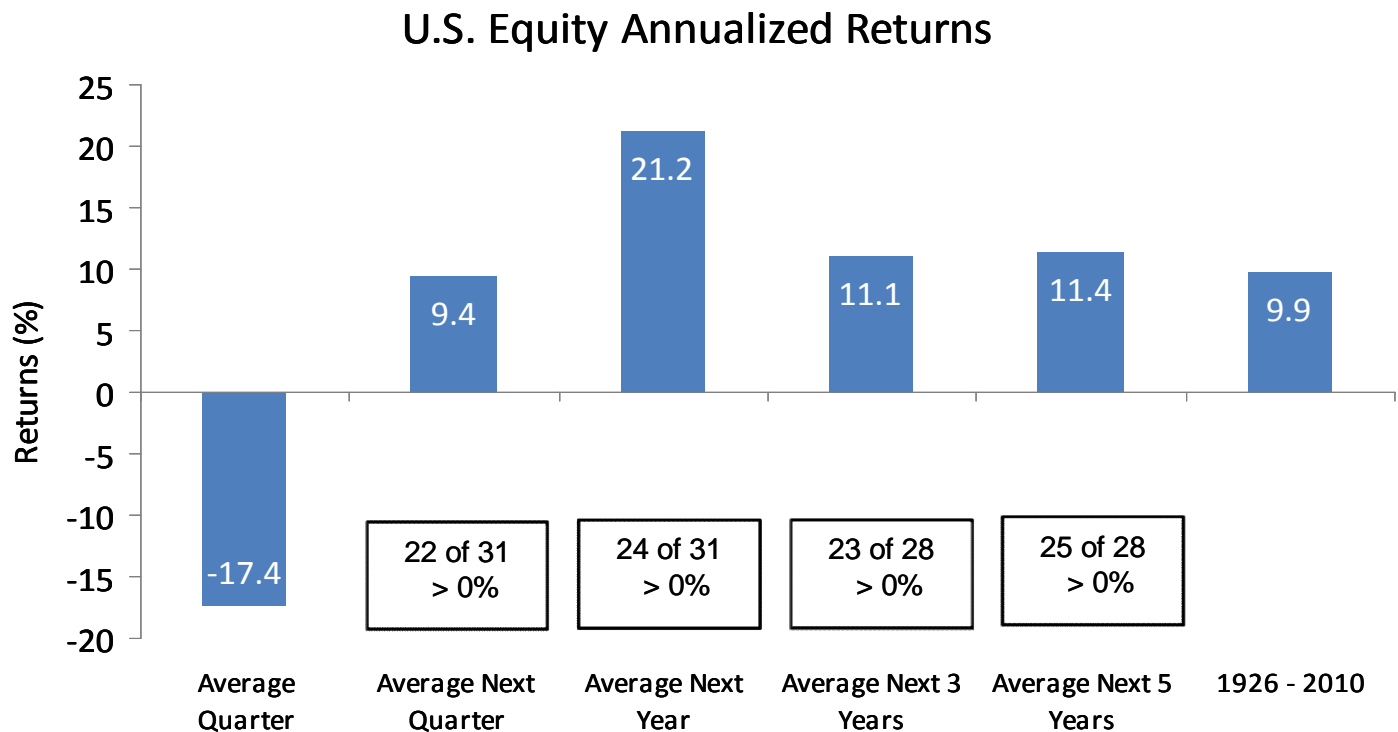
Real Assets

- Industrial Metals -23% / Energy -16%
- REITs Europe -23%

Index Legend

Utilities – Russell 3000® U.S. Utilities; U.S. Consumer Staples – Russell 3000® Consumer Staples Sector; Japan – Russell Global Index; U.S. Treasuries – Barclays Capital Treasury Index; Municipal Bonds – Barclays Capital Municipal Bond Index; Livestock – DJ UBS Livestock Sub-Index; Precious Metals – DJ UBS Gold Sub-Index; Small Cap – Russell 2000 U.S. Small Cap Index; Energy – Russell 3000® Energy Sector; U.S. Financial Services – Russell 3000® Financial Services Sector; Producer Durables – Russell 3000® Producer Durables Index; Greece – Russell Greece Index; Germany – Russell Germany Index; Global High Yield – Barclays Capital Global High Yield Index; Global Emerging Market Debt – Barclays Capital Emerging Markets Index; Listed Infrastructure Energy – S&P Global Infrastructure Energy Sub-index; REIT's Europe – FTSE/EPRA NAREIT Developed Europe Sector

# Rebounds after double digit negative quarters



Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Source: Ibbotson U.S. Equity series 1926-1978, Russell 3000 © Index 1979-2010

Since 1926, the U.S. equity market has produced only 31 double digit negative quarters similar to third quarter 2011 (9% of quarters).

Returns following those difficult quarters have tended to be positive, and higher than the long-term (1926-2010) annualized return:

- 22 of 31 quarters were positive, with an average return of 9.4%
- 24 of 31 twelve month periods were positive, with an average return of 21.2%
- 23 of 28 three year periods were positive, with an average annualized return of 11.1%
- 25 of 28 five year periods were positive with an average annualized return of 11.4%

It's difficult to time the market's behavior, but on average equity investors have been rewarded for sticking in (or returning to) the markets after a difficult period as shown by the hypothetical example above.

Each of the LifePointsFunds, Target Portfolio Series, invests its assets in shares of a number of underlying Russell Funds. From time to time, the fund's adviser may modify the target strategic asset allocation for any fund and/or the underlying funds in which a fund invests including the addition of new underlying funds. A Fund's actual allocation may vary from the target strategic asset allocation at any point in time.

Investments that are allocated across multiple types of securities may be exposed to a variety of risks based on the asset classes, investment styles, market sectors, and size of companies preferred by the investment managers. Investors should consider how the combined risks impact their total investment portfolio and understand that different risks can lead to varying financial consequences, including loss of principal. Please see a prospectus for further details.

Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks.

Investments in global equity may be significantly affected by political or economic conditions and regulatory requirements in a particular country. International markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Emerging or developing markets involve exposure to economic structures that are generally less diverse and mature. Such securities may be less liquid and more volatile.

Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

Bond investors should carefully consider risks such as interest rate and credit risks. An increase in volatility and default risk are inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, with exposure to sub-prime mortgages. Investment in international and emerging market debt is subject to currency fluctuations and to economic and political risks.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The Russell Developed ex-US Large Cap index offers investor's access to the large-cap segment of the developed equity universe, excluding securities classified in the US, representing approximately 40% of the global equity market. This index includes the largest securities in the Russell Developed ex-US Index

The Russell Emerging Markets index measures the performance of the largest investable securities in emerging countries globally, based on market capitalization. The index covers 21% of the investable global market.

Dow Jones-UBS Commodity Total Return Index is an index composed of futures contracts on 19 physical commodities.

S&P Global Infrastructure Index provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. The index has balanced weights across three distinct infrastructure clusters: utilities, transportation and energy.

Barclays Capital U.S. Treasury Bills 1-3 Month Index: A component of the Short Treasury index. The Barclays Capital Short Treasury Index includes aged U.S. Treasury bills, notes and bonds with a remaining maturity from 1 up to (but not including) 12 months. It excludes zero coupon strips.

Barclays Capital U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment-grade corporate debt securities, and mortgage-backed securities.

Barclays Capital Global High-Yield Bond Index: This index covers the global universe of fixed rate, non-investment grade debt with a minimum outstanding amount and maturing over one year.

FTSE EPRA/NAREIT Developed Index – GROSS: is a global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

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MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in 21 developed market countries in Europe, Australasia, and the Far East.


## **PERFORMANCE NOTES**

Equity Growth Strategy first issued Class S Shares on February 1, 2000. The returns shown for Class S Shares prior to that date are the returns of the Fund's Class E Shares.

The Russell U.S. Core Equity Fund, Russell U.S. Quantitative Equity Fund, Russell U.S. Small & Mid Cap Fund, Russell International Developed Markets Fund and Russell Investment Grade Bond Fund first issued Class Y Shares on March 30, 2000. The returns shown for Class Y Shares prior to that date are the returns of the Fund's Class I Shares.

The Russell Emerging Markets Fund, Russell Global Equity Fund, Russell Global Real Estate Securities Fund and Russell Short Duration Bond Fund first issued Class Y Shares on September 26, 2008. The returns shown for Class Y Shares prior to that date are the returns of the Fund's Class S Shares.

The Russell Strategic Bond Fund first issued Class Y Shares on June 7, 2000, closed its Class Y Shares on November 19, 2001 and reopened its Class Y Shares on June 23, 2005. The returns shown for Class Y Shares prior to June 23, 2005 are the returns of the Fund's Class I Shares.



*Fund objectives, 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 by visiting [www.russell.com](http://www.russell.com). Please read the prospectus carefully before investing.*

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