

Annual Report of the Independent Review Committee of

The Russell Investment Funds

March 8, 2012

IRC Annual Report to: Securityholders in the funds listed on page 4 of this report (the “Funds”).

Dear Investor,

In accordance with **National Instrument 81-107 Independent Review Committee for Investment Funds** (“NI 81-107” or the “Instrument”), the Manager established on May 1, 2007, an independent review committee (the “Committee” or “IRC”) for the Funds. The IRC is composed of four individuals, each of whom is independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument). The IRC was effective as of November 1, 2007 and, after that date, has functioned in accordance with the applicable securities laws, including the Instrument.

The IRC is pleased to publish its annual report to Securityholders, covering the period from January 1, 2011 to December 31, 2011 (“the Reporting Period”).

Mandate of the IRC

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict of interest matter to it. In those cases, it has sought to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the Funds.

Composition of the IRC

The current members of the IRC, and their principal occupations, are as follows:

<i>Name and municipality of residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
Stanley M. Beck, QC, Toronto, Ontario - Chair	President, Granville Arbitrations Ltd., Independent Director, former Chair of the Ontario Securities Commission	Initial Appointment: April 19, 2007. Renewed on March 3, 2010 for a period of two years, eight months with effect from April 19, 2010 until December 19, 2012.
Eamonn B.P. McConnell, Toronto, Ontario	Consultant, former Managing Director of Deutsche Bank, Europe and Asia	Initial Appointment: April 19, 2007. Renewed on August 9, 2011 for a period of two years with effect from April 19, 2011 until April 19, 2013.
Lawrence A. Ward, Toronto, Ontario	Consultant, retired partner PricewaterhouseCoopers, LLP	Initial Appointment: April 19, 2007. Renewed on December 9, 2011 for a period of one year with effect from April 19, 2012 until April 19, 2013.
W. William Woods, Toronto, Ontario	Consultant, Lawyer, Independent Director, former CEO of the Bermuda Stock Exchange	Initial Appointment: April 19, 2007. Renewed on December 9, 2011 for a period of one year with effect from April 19, 2012 until April 19, 2013.

Compensation and Indemnification

Members' Fees

The compensation paid by the Funds and the Russell Sovereign Funds and the Corporate Classes listed in Appendix I) to the IRC Members during the Reporting Period was, in aggregate, \$78,000 plus applicable taxes. This amount was allocated amongst the Russell Sovereign Funds and the Corporate Classes (as set out in Appendix I) and the Funds in a manner considered by the IRC and the Manager to be fair and reasonable to each of the Funds. The IRC reviewed comparable benchmarks and has determined not to make any changes in the Members' compensation at this time.

Indemnities Granted

The Funds and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No payments were paid to the IRC Members pursuant to this indemnity by the Funds or the Manager during the Reporting Period.

Disclosure of IRC Members' Holdings

As at December 31, 2011, the IRC Members did not beneficially own, directly or indirectly:

- any units in any of the Funds;
- any interests in the Manager; or

- any interests in a company or person that provides services to the Manager or any Fund.

Recommendations and Approvals

On or about July 20, 2011 the Manager referred some conflict of interest matters regarding related party transactions by some of its sub-advisers. The IRC reviewed the actions that the Manager had taken and the procedures the Manager had adopted to prevent non-compliant trades from taking place in the future, and determined that its actions provided a fair and reasonable result for each of the relevant Funds.

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval during the Reporting Period.

Standing instructions (“SIs”) Approved

The IRC has approved and grouped standing instructions into SI No. 1, SI No. 2 and SI No 3, each of which constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with the specific actions set out in the SI on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SIs requires the Manager to comply with its related policy and procedures and to report periodically to the IRC.

On December 9, 2011, at the request of the Manager, the IRC made minor amendments SIs 1, 2 and 3. The Manager relied on SI No. 1 during the Reporting Period.

Standing Instruction No. 1: Omnibus deals with a number of conflict of interest matters including:

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| 1 | Fees and Expenses |
| 2 | Trade Allocations |
| 3 | Portfolio Pricing Issues |
| 4 | Pricing Errors and Other Errors |
| 5 | Soft Dollars |
| 6 | Capacity Issues |
| 7 | Proxy Voting |
| 8 | Outsourcing to Third-Parties |
| 9 | Selecting or Changing Sub-advisers |
| 10 | Personal Trading/ Gifts |
| 11 | Benchmark Indices |
| 12 | A Fund Proposes to Invest in Another Mutual Fund |
| 13 | Services Provided by Related Parties |

Standing Instruction No. 2: Related Party Issues: Inter Fund Trades

The Manager did not rely on SI No. 2 during the Reporting

Standing Instruction No. 3: Related Party Issues: Related Underwriter

The Manager did not rely on SI No. 3 during the Reporting Period.

Funds covered by this report – all of which have a December 31 year-end

Russell LifePoints Portfolios

Russell LifePoints Balanced Income Portfolio
Russell LifePoints Balanced Growth Portfolio
Russell LifePoints Balanced Portfolio
Russell LifePoints Long-Term Growth Portfolio
Russell LifePoints All Equity Portfolio

Russell Group of Funds:

Russell Canadian Fixed Income Fund
Russell Canadian Equity Fund
Russell US Equity Fund
Russell Overseas Equity Fund
Russell Global Equity Fund

This report is available on the Manager's website at <http://www.russell.com/ca> or you may request a copy, at no cost to you, by contacting the Manager at (416)-362-8411 or 1-888-509-1792 or email the Manager at canada@russell.com. This document and other information about the Funds are available on www.sedar.com.

Yours truly,

"Stanley Beck"

Stanley M Beck, QC, Chair

APPENDIX I – Funds with a June 30 Year- end

Russell Sovereign Funds

Russell Canadian Equity Pool
Russell US Equity Pool
Russell Overseas Equity Pool
Russell Global Equity Pool
Russell Emerging Markets Equity Pool
Russell Fixed Income Pool
Russell Core Plus Fixed Income Pool
Russell Money Market Pool
Russell Retirement Essentials Portfolio
Russell Diversified Monthly Income Portfolio
Russell Enhanced Canadian Growth & Income Portfolio
Russell Canadian Dividend Pool
Russell Smaller Companies Pool

Russell Corporate Classes

Russell Canadian Equity Class
Russell US Equity Class
Russell Overseas Equity Class
Russell Global Equity Class
Russell Emerging Markets Equity Class
Russell Managed Yield Class
Russell Money Market Class
Russell Canadian Dividend Class
Russell Retirement Essentials Class Portfolio
Russell Diversified Monthly Income Class Portfolio
Russell Enhanced Canadian Growth & Income Class Portfolio
Russell Smaller Companies Class
Russell LifePoints Balanced Class Portfolio
Russell LifePoints Balanced Growth Class Portfolio
Russell LifePoints Long-Term Growth Class Portfolio
Russell LifePoints All Equity Class Portfolio

Schedule of IRC Members who sit on IRCs for other Fund Families

Eamonn McConnell serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Integra Capital Limited;
Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;
Investment funds that are reporting issuers managed by O'Leary Funds Management LP;
Investment funds that are reporting issuers managed by Sprott Asset Management LP;
Investment funds that are reporting issuers managed by Webb Asset Management Canada Inc.;
Investment funds that are reporting issuers managed by Man Investments Canada Corp.;
The Goodwood Capital Fund; and
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC.

Lawrence A. Ward serves as a member of the Independent Review Committees for the following funds:

The Acker Finley Canada Focus Fund*;
Investment funds that are reporting issuers managed by Vertex One Management Inc.;
Investment Funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;
The Goodwood Capital Fund; and
Investment funds that are reporting issuers managed by Sprott Asset Management LP.

W. William Woods serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Integra Capital Limited;
The Acker Finley Canada Focus Fund*;
Investment funds that are reporting issuers managed by O'Leary Funds Management LP;
Investment funds that are reporting issuers managed by Sprott Asset Management LP;
Investment funds that are reporting issuers managed by The International Scholarship Foundation;
Investment funds that are reporting issuers managed by Webb Asset Management Canada Inc.;
Investment funds that are reporting issuers managed by Man Investments Canada Corp.;
The Goodwood Capital Fund; and
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC.

* Ceased to be a reporting issuer as of December 16, 2011.