

# LifePoints® Conservative Strategy Fund

## Levels of Strategic Diversification

### Investment Strategy

- Seeks to provide high current income and low long-term capital appreciation.
- A diversified fund of funds, investing in a combination of underlying funds consisting of approximately 20% stocks and 80% bonds.
- Emphasis on stability of investment principal and income with some exposure to stocks for long-term capital appreciation.
- Core equity exposure blends growth, market-oriented and value styles with exposure to stocks in both U.S., non-U.S. and real estate markets.

### Fund Highlights

- Balances bond income with a small allocation to stocks for growth potential.
- Diversifies across 4 broad asset classes, 7 funds and more than 40 manager products.
- Maintains an optimal target asset allocation for a conservative investor through regular rebalancing.

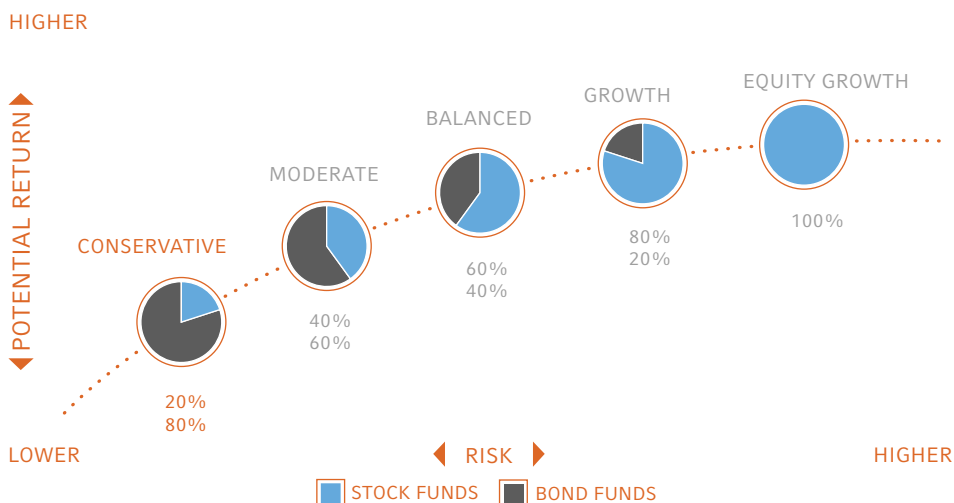
### About the Fund



Jill Johnson  
Russell Portfolio  
Manager

In this fund, you can see Russell's proven investment process in action. We aim for consistent, risk-managed performance by assembling a complete portfolio of bond, stock and real estate funds. This fund is for conservative investors. We've included an allocation to a short-term bond fund for additional capital preservation potential in addition to a core bond fund. We have also added a small allocation to funds investing in U.S. and non-U.S. large-cap stocks and real estate securities to help capture their potential for higher returns. The fund also has a small allocation to a global equity fund to capture this additional investment strategy. – Jill Johnson

### Your Challenge: Where Should You Be?



As you move from left to right on the graph – increasing risk – there are different investment strategies that may offer potentially higher returns. However, as with any type of portfolio structuring, attempting to manage risk and increase return could, at certain times, either unintentionally reduce returns or increase volatility.

**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.**

Not FDIC Insured  
May Lose Value  
No Bank Guarantee

# LifePoints® Conservative Strategy Fund

## Managing Money Differently

The Russell approach has been trusted for decades by many of the world's largest investors; our mutual funds allow you to employ that same approach. We identify investment managers we believe have exceptional capabilities, blend them to help manage risk through diversification, and constantly monitor them. Regardless of market conditions, Russell's investment approach remains constant.

### Characteristics

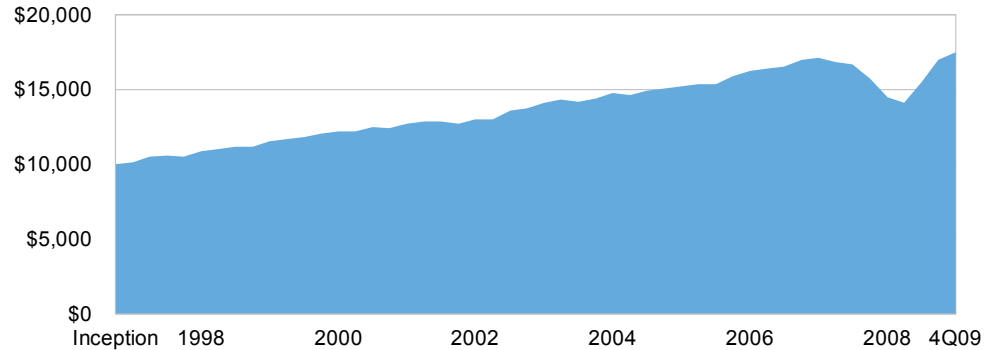
Total Net Assets – All Classes	\$547.6M
Net Asset Value – Class Level	\$9.95
Beta <sup>1</sup> – Class Level	0.38
30-Day SEC Yield – Class Level	
Subsidized <sup>2</sup>	3.90%
Unsubsidized <sup>3</sup>	3.69%

<sup>1</sup> A statistical measure of a stock's volatility compared with the overall market, as measured by the Russell 3000® Index. A beta of less than one indicates lower risk than the market; a beta of more than one indicates higher risk than the market. The Russell 3000® Index measures the performance of the 3,000 largest U.S. securities based on total market capitalization.

<sup>2</sup> The fund's current yield for the 30-day period ending 12/31/2009.

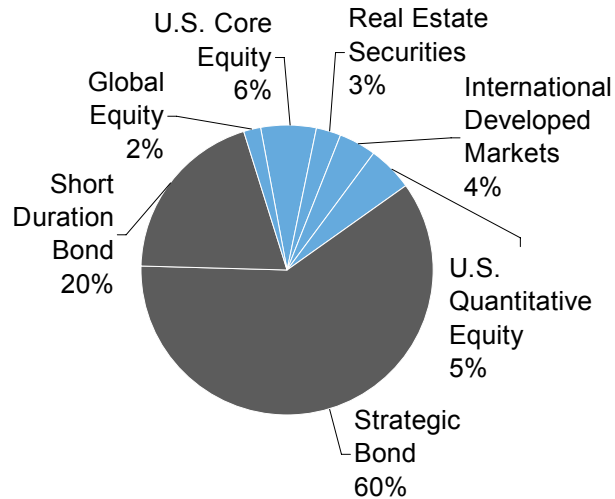
<sup>3</sup> The yield shown is what the yield would have been without the current fee waivers and expense reimbursements (unsubsidized).

## Growth of \$10,000 – Class S Shares



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).

## Underlying Fund Allocation<sup>1</sup> – Allocations to underlying funds may vary.



<sup>1</sup> 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.

## Conservative Strategy Fund – Allocation of Underlying Fund Assets – Russell Funds Class Y

### Russell U.S. Core Equity Fund

#### *Growth*

BlackRock Capital Management, Inc.  
Columbus Circle Investors  
Montag & Caldwell, Inc.

#### *Market-Oriented*

Arnhold and S. Bleichroeder Advisers, LLC  
Lazard Asset Management, LLC  
Russell Investment Management Company<sup>†</sup>  
Suffolk Capital Management, LLC

#### *Value*

AllianceBernstein, L.P.  
Institutional Capital, LLC  
MFS Institutional Advisors, Inc.  
Schneider Capital Management Corporation

### Russell U.S. Quantitative Equity Fund

#### *Market-Oriented*

Aronson+Johnson+Ortiz, L.P.  
Goldman Sachs Asset Management, L.P.  
INTECH Investment Management, LLC  
Jacobs Levy Equity Management, Inc.  
Numeric Investors, LLC  
Russell Investment Management Company<sup>†</sup>

### Russell International Developed Markets Fund<sup>1</sup>

#### *Growth*

Axiom International Investors, LLC  
Marsico Capital Management, LLC  
UBS Global Asset Management (Americas), Inc.  
William Blair & Company, LLC

#### *Market-Oriented*

AQR Capital Management, LLC  
MFS Institutional Advisors, Inc.

#### *Value*

AllianceBernstein, L.P.  
Mondrian Investment Partners Limited  
Pzena Investment Management, LLC

### Russell Global Equity Fund<sup>2</sup>

#### *Growth*

Gartmore Global Partners  
T. Rowe Price International, Inc.

#### *Market-Oriented*

MFS Institutional Advisors, Inc.

#### *Value*

Harris Associates, L.P.  
Tradewinds Global Investors, LLC

### Russell Real Estate Securities Fund<sup>3</sup>

#### *U.S. Growth*

Heitman Real Estate Securities, LLC

#### *U.S. Market-Oriented*

Cohen & Steers Capital Management, Inc.  
INVESCO Institutional (N.A.), Inc.,  
through INVESCO Real Estate Division

#### *Global Market-Oriented*

Cohen & Steers Capital Management, Inc.

#### *U.S. Value*

AEW Capital Management, L.P.

### Russell Strategic Bond Fund<sup>4</sup>

#### *Fully Discretionary*

Goldman Sachs Asset Management, L.P.  
Pacific Investment Management Company, LLC

#### *Sector Rotation*

Hyperion Brookfield Asset Management, Inc.  
Logan Circle Partners, L.P.  
Metropolitan West Asset Management, LLC

### Russell Short Duration Bond Fund<sup>4</sup>

#### *Fully Discretionary*

Pacific Investment Management Company, LLC

#### *Sector Rotation*

Logan Circle Partners, L.P.

<sup>†</sup>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.

Money managers listed are current as of 12/31/09. 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.

<sup>1</sup> Non-U.S. markets entail different risks than those typically associated with U.S. markets, including currency fluctuations, political and economic instability, accounting changes and foreign taxation. Securities may be less liquid and more volatile.

<sup>2</sup> Global equity involves risk associated with investments primarily in equity securities of companies located around the world, including the United States. International securities can involve risks relating to political and economic instability or regulatory conditions. Investments in emerging markets or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than those of more developed countries.

<sup>3</sup> Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Fund investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation.

<sup>4</sup> Bond investors should carefully consider risks such as interest rate, credit, repurchase and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to subprime mortgages.

# LifePoints® Conservative Strategy Fund

	Class A	Class C	Class E	Class S
CUSIP	782478648	782493357	782493514	782478200
TICKER	RCLAX	RCLCX	RCLEX	RCLSX

## Performance Review

As of December 31, 2009

	Quarterly	Year to Date	Annualized					Since Inception	Inception Date	Annual Fund Operating Expenses	
			1 Year	3 Years	5 Years	10 Years	Total			Net †	
LifePoints® Conservative Strategy Fund – Class S † <sup>(b)(c),1</sup>	2.75%	20.42%	20.42%	2.54%	3.46%	4.26%	4.70%	11/07/97	1.13%	0.91%	

The fund offers other classes of shares with higher fees and expenses. These other classes may charge up to a 5.75% sales charge and a 0.25% distribution fee (Class A) or up to a 0.75% distribution fee and a 0.25% shareholder servicing fee (Class C), which will result in a higher expense ratio and lower performance than that shown above. For a full description of other available classes, please see the prospectus.

<sup>1</sup> The LifePoints® Conservative Strategy Fund is exposed to the specific risks of the underlying funds in proportion to their allocation.

## Underlying Fund Performance for the LifePoints® Conservative Strategy Fund<sup>1</sup> – Russell Funds Class Y

Russell U.S. Core Equity	5.16%	29.74%	29.74%	-5.78%	0.53%	-1.20%	10.36%	10/15/81	0.68%	0.68%
Russell U.S. Quantitative Equity	6.71	23.21	23.21	-7.41	-0.71	-1.09	8.47	05/29/87	0.91	0.91
Russell International Developed Markets <sup>2</sup>	2.08	29.68	29.68	-6.68	3.26	1.16	10.07	01/31/83	0.89	0.89
Russell Global Equity <sup>2,3</sup>	6.35	37.00	37.00	--	--	--	-6.47	02/28/07	1.15	1.15
Russell Real Estate Securities <sup>2,3</sup>	8.98	29.94	29.94	-11.76	0.98	10.86	10.12	07/28/89	0.93	0.93
Russell Strategic Bond † <sup>(b),2</sup>	2.30	18.76	18.76	4.99	4.35	6.04	6.16	01/29/93	0.64	0.57
Russell Short Duration Bond	1.46	13.27	13.27	4.66	3.83	4.48	7.22	10/30/81	0.64	0.64

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†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 transfer agency fee waiver through 02/28/2010;
- (b) a contractual advisory fee waiver and/or reimbursement through 02/28/2010;
- (c) a contractual cap on expenses through 02/28/2010.

These contractual agreements may not be terminated during the relevant periods except at the Board of Trustees' discretion. Details of these agreements are in the current prospectus. Absent these reductions, the fund's return would have been lower.

<sup>1</sup> Performance is reported net of fund advisory and administrative fees, and gross of financial intermediary fees. The Russell Short Duration Bond Fund is reported gross of advisory and administrative fees prior to April 1, 1995.

<sup>2</sup> See fund-specific disclosures on page 3.

<sup>3</sup> The Fund first issued Class Y Shares on September 29, 2008. The returns shown for Class Y Shares prior to that date are the returns of the Fund's Class S Shares.

For more information on Russell LifePoints® Funds or underlying Russell Funds, contact your investment professional or plan administrator for assistance.

Each of the LifePoints® Funds, 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 asset allocation for any fund and/or the underlying funds in which a fund invests. In addition, the Funds may in the future invest in other funds which are not currently underlying funds.

Performance is based upon the actual mix of underlying funds recommended at each specific point in time, which may differ from the current mix. Details of past changes to underlying funds and/or allocations are available upon request.

Strategic asset allocation and diversification do not assure profit or protect against loss in declining markets.

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