

# Russell Funds – Quarterly Commentary

March 31, 2012

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## Fund Commentary

The following 1Q12 commentary provides insights in how each Russell Fund has performed over the past quarter relative to its benchmark. Fund and index level performance is provided after the commentary.

### Russell U.S. Core Equity Fund

- The fund benefited from an overweight to stocks with above average growth rates, high betas (volatility), low debt-to-capital ratios and low dividend yields. Sector allocations also added value, particularly overweight positions to the technology and consumer discretionary sectors and an underweight to utilities.
- Columbus Circle's stock selection was its largest performance driver, particularly within the consumer discretionary and financial services sectors. Underweight positions to the consumer staples and energy sectors and an overweight to the consumer discretionary sector also added value. Additionally, the manager benefited from a tilt toward stocks with high growth rates and low debt-to-capital ratios.
- Lazard's underweight to stocks with high betas and an overweight to stocks with low growth rates hurt its performance. Stock selection detracted largely due to positions in low-growth stocks within the consumer discretionary and technology sectors.

### Russell U.S. Quantitative Equity Fund

- The fund's tilt toward medium capitalization stocks benefited performance. An overweight to stocks with low price-to-earnings also contributed to the fund's outperformance, as did an overweight to stocks with earnings that had been revised upward.
- Numeric's tilt away from larger cap stocks helped its outperformance. Overweight positions to stocks with low valuations, including low price-to-book and low price-to-earnings, and an overweight to stocks with high betas (volatility) were also beneficial. Stock selection, particularly within the technology and materials and processing sectors, also helped returns.
- INTECH's underweight to stocks with low price-to-earnings hurt its performance. An underweight to stocks with higher betas and to stocks with more cyclical earnings patterns also detracted from returns. Sector exposure was negative due to an overweight to utilities and underweights to the technology and financial services sectors.

### Russell U.S. Growth Fund

- Stock selection was the primary source of the fund's outperformance, particularly within the consumer discretionary and energy sectors. An overweight to stocks with high growth forecasts and low debt-to-capital ratios also contributed to returns. Additionally, underweights to the utilities and produce durables sectors added value.
- Columbus Circle outperformed due to stock selection, particularly within the consumer discretionary and financial services sectors. Underweights to the consumer staples and energy sectors and an overweight

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to the consumer discretionary sector also benefited performance, as did a tilt toward stocks with high growth rates and low debt-to-capital ratios.

- Stock selection was the primary source of excess return for Cornerstone, particularly selection within the energy and health care sectors. Tilts toward stocks with high growth rates, rising earnings estimates and low debt-to-capital ratios also contributed to returns.

### **Russell U.S. Value Fund**

- The fund benefited from an overweight to stocks with low valuations, including low price-to-book and low price-to-earnings ratios. A tilt toward stocks with high betas (volatility) also added value. Overall, both sector exposure and stock selection contributed to performance.
- Snow's overweight to stocks with low valuations, including those in the lowest price-to-earnings and price-to-book quintiles, contributed to its outperformance, as did an overweight to stocks with higher betas. A utilities sector underweight and a financial services sector overweight, as well as strong stock selection, particularly within the health care and producer durables sectors, also added value.
- Systematic outperformed partly due to an overweight to stocks with low price-to-earnings ratios and low dividend yields. However, stock selection was the primary driver of returns, particularly selection within the technology and consumer discretionary sectors.

### **Russell U.S. Small Cap Equity Fund\* (Formerly Russell U.S. Small & Mid Cap Fund)**

- The fund's outperformance was driven by beneficial stock selection, primarily within the financial services, technology and materials & processing sectors. Sector exposures also slightly contributed to returns, particularly an underweight to the utilities sector.
- Huber and Penn were the best performing managers. Huber's focus on deeply discounted, negative sentiment stocks was strongly rewarded. The manager's outperformance was primarily influenced by positive stock-specific news. Penn's performance was helped by an overweight exposure to beta (volatility) and positive stock selection, particularly within the technology sector.
- Chartwell was the only manager to underperform. The manager's defensive value approach was penalized because investors showed a preference for higher beta (volatility) securities. The manager's largest performance detractor was stock selection within the financial services sector.

### **Russell Tax-Managed U.S. Large Cap Fund**

- Stock selection within the health care sector was the largest contributor to the fund's outperformance. Sector exposures were also positive, particularly an overweight exposure to pro-cyclical sectors.
- Sands outperformed in a highly favorable environment for its investment style. An overweight exposure to beta (volatility), forecast earnings growth and smaller market cap stocks was rewarded. Stock selection was positive across most sectors, particularly health care. Sector exposures contributed to returns, particularly an overweight to pro-cyclical sectors.
- NWQ also outperformed. The manager's large exposure to higher beta, more cyclical companies was beneficial, but stock selection was negative, particularly an overweight to gold mining companies, which fell sharply on lower gold prices.

### **Russell Tax-Managed U.S. Mid & Small Cap Fund**

- The fund's pro-cyclical bias, with an underweight to utilities and an overweight to technology, helped returns. However, within sectors the fund was positioned in more defensive companies. Consequently, stock selection in the risk-favoring first quarter was negative in all but one sector, which contributed to the fund's underperformance.

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- Summit Creek's stock selection hurt returns, particularly software holdings within the technology sector, which was the largest detractor. A beneficial overweight exposure to technology and an underweight to energy moderately reduced the negative impact from the manager's stock selection.
  - Chartwell underperformed the fund's benchmark by a small margin in what was a difficult quarter for defense-biased investment strategies. Negative stock selection within financial services was the largest detractor to returns.

#### **Russell International Developed Markets Fund**

- Both stock selection and sector allocation decisions helped the fund outperform. Notable contributors included an overweight to information technology and key emerging markets holdings. Regionally, stock selection was the main driver of the fund's outperformance.
- An emphasis on smaller capitalization companies with high future growth expectations allowed Driehaus to be the fund's best performer. Good stock selection within the consumer discretionary and information technology sectors contributed to returns. An underweight to the financial sector detracted from performance value, but emerging markets bank holdings helped mitigated those losses.
- del Rey was the worst performing manager in the quarter. del Rey typically underperforms during sharp market rallies and this quarter was no different. Its positions in mining companies and Japanese firms hurt returns. A feared slowdown in Chinese demand negatively impacted mining companies and Japanese holdings were hurt by a weakening yen.

#### **Russell Global Equity Fund**

- Large overweight positions to the technology and consumer discretionary sectors added the most to the fund's outperformance. The fund also benefited from strong stock selection, particularly holdings in U.S. investment banks and financial services providers, as well as from specific holdings within the health care and materials and processing sectors.
- T. Rowe Price was the fund's best performer. A large overweight to the technology sector and strong stock selection within the sector garnered significant returns. Stock selection within the financials and consumer discretionary sectors was also beneficial to the manager's returns.
- Tradewinds underperformed significantly. Large positions in gold mining companies and Japanese industrials and utilities companies had negative impact to returns. Stock selection in the material and utility sectors also detracted from returns.

#### **Russell Emerging Markets Fund**

- The fund's positive stock selection, particularly in Russia, India and Turkey, added significant value. At the sector level, stock selection within the financial services and materials and processing sectors were the key drivers of fund performance. An overweight to the top-performing technology sector also helped returns. The largest detractors were an underweight to India and an underweight to producer durables, one of the best performing sectors.
- Alliance Bernstein significantly outperformed. The manager's stock selection was particularly positive in India, Korea and Poland, and an overweight allocation to Turkey was also a positive.
- Victoria 1522 underperformed largely due to ineffective stock selection, particularly positions in South Africa and Taiwan. The manager's overweight positions to specific energy companies also hindered returns. Stock selection within the producer durables and utilities sectors added value.

#### **Russell Commodity Strategies Fund**

- While the fund slightly underperformed, all three managers added value within energy during January and March, but a sharp move in corn spreads on the last trading day in March offset much of those gains. February was difficult for active management across most sectors.

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- Jefferies Asset Management, the best performing manager, benefited from an active trading style, adding value by avoiding active trades in out-of-favor sectors. The manager benefited from trades in WTI (West Texas Intermediate) crude oil and natural gas but lost some ground due to late March corn trades.
  - Goldman Sachs was the worst performing fund manager for the second quarter in a row as positioning in three-month deferred contracts across the universe of commodities was challenged by losses in the agriculture sector. The manager was also impacted by the sharp move in corn spreads during March.

#### **Russell Global Infrastructure Fund**

- An underweight to electric utilities, an overweight to water utilities and out-of-benchmark exposure to security and alarm services contributed to the fund's outperformance, as did an overweight to Brazil and stock selection within the United States and Continental Europe.
- Macquarie's beneficial underweight to electric utilities and exposure to security and alarm services and construction and engineering was partially offset by a position in the underperforming industrial conglomerates sector. Stock selection in North America and an overweight to emerging markets contributed to the manager's outperformance.
- Nuveen's underweights to marine ports & services and to airport services hurt returns. Stock selection within the electric utilities and airport services sectors was positive. An overweight to Brazil and stock selection within North America helped returns, although ineffective stock selection in Singapore was a significant detractor.

#### **Russell Global Real Estate Securities Fund**

- The fund underperformed due to security selection, particularly in Asia. In Hong Kong and Singapore, the fund was detrimentally underweight to several developer companies. The fund's regional allocation was neutral because the positive impact of emerging markets exposure was offset by the negative impact from an overweight to the Asia-Pacific region.
- Invesco marginally outperformed. Stock selection within the United States was a slight detractor from returns due to overweight positions to several lower beta (volatility) companies. However, this negative impact was offset by strong stock selection in the United Kingdom, Singapore and Japan.
- Cohen & Steers underperformed due to ineffective stock selection, particularly in Hong Kong, Singapore and Continental Europe. The manager's regional allocation was neutral, with a small contribution from out-of-benchmark exposure to Brazil balanced out by a detrimental overweight to Hong Kong.

#### **Russell Global Opportunistic Credit Fund**

- The fund outperformed its secondary benchmark, which is more representative of the fund's global credit mandate. Returns were driven by three main factors, including security selection within high-yield corporates, exposure to emerging markets corporates and strong country selection within emerging markets debt.
- Oaktree's exposure to European issuers was a key performance driver. The manager's bias against financial services detracted from returns within the corporate sector.
- Stone Harbor's exposure to emerging markets corporates and currencies benefited returns, as did an overweight to Venezuela. However, security selection within Venezuela and an overweight to Argentina detracted considerably from the manager's returns.
- DDJ's bias toward lower quality securities benefited returns, as did solid security selection within U.S. industrials. A lack of exposure to non-U.S. issuers detracted from returns.

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### Russell Strategic Bond Fund

- The fund significantly outperformed, with positive contributions coming from an overweight position to non-agency mortgage-backed securities (MBS) and from smaller overweight positions to asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), investment-grade financials and high-yield bonds.
- All of the fund's managers outperformed the fund's benchmark. Mortgage-specialist Brookfield was the top performer mostly due to large exposures to non-agency MBS and CMBS.
- MetWest also significantly outperformed due to overweight positions to non-agency MBS, high-yield corporates, investment-grade financials and CMBS. An underweight to duration also contributed positively to returns.
- An overweight to investment-grade financials, high-yield corporates, non-agency MBS and emerging markets debt contributed to PIMCO's performance.

### Russell Investment Grade Bond Fund

- The fund's outperformance was driven by spread sector overweight positions, particularly to investment-grade corporates. Non-agency mortgage-backed securities (MBS) exposure further boosted performance. Security selection within the corporate sector was also beneficial for the fund.
- All four of the fund's managers outperformed the fund's benchmark. PIMCO was the top performing manager due to an overweight position to large U.S. banks and non-U.S. and emerging markets debt positions. Non-agency MBS and yield curve positioning were also meaningfully positive for PIMCO.
- A large overweight to the non-agency MBS sector generated much of MetWest's positive returns. MetWest also benefited from an overweight to financials within the corporate sector.

### Russell Short Duration Bond Fund

- The primary contributors to the fund's outperformance were overweight positions to investment grade corporates (primarily financials, followed by industrials), non-agency mortgage-backed securities (MBS) and agency MBS.
- PIMCO was the fund's top performing manager. Its outperformance was primarily due to an overweight to non-agency MBS, investment-grade corporates (primarily financials), agency MBS and emerging markets debt.
- Logan's outperformance was primarily due to overweight positions to investment-grade corporates (primarily industrials and financials), non-agency MBS, commercial mortgage-backed securities (CMBS), agency MBS and asset-backed securities (ABS).

### Russell Tax Exempt Bond Fund

- The fund's outperformance versus its benchmark was driven by an overweight to revenue bonds versus general obligation bonds, as well as from a lower quality bias. Hospital bonds, in particular, were strong performers for the fund.
- Both of the fund's managers modestly outperformed, but the bulk of the outperformance came from Delaware. The manager was beneficially overweight to hospitals, which helped returns. The manager also had a yield advantage to counteract rising interest rates on the long end of the yield curve.
- Standish marginally outperformed due to an overweight to revenue bonds. However, the manager's approach to security selection detracted from those returns.

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**For more information:**

Call Russell at **800-787-7354** or visit **[www.russell.com](http://www.russell.com)**

Disclosures

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**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.**

**\*On January 1, 2012, the Russell U.S. Small & Mid Cap Fund was renamed the Russell U.S. Small Cap Equity Fund.**

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.

Indexes and benchmarks are unmanaged and cannot be invested in directly. The performance information that follows contains important information on asset classes, investment styles and index descriptions to support the fund commentary discussed.

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RFS 8160

# Comparative Fund Performance Report

## Russell Funds - Class S Shares <sup>1</sup>

Latest Month Ended March 31, 2012

Latest Quarter Ended March 31, 2012

Performance quoted represents past performance and should not be viewed as a guarantee of future results. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, 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 may be obtained by visiting [www.russell.com](http://www.russell.com)

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### Performance for Month Ending March 31, 2012

Ticker	Latest Month %	Three Months %	Year to Date %	Annualized Returns Ending 03/31/2012					Fund Inception Date <sup>2</sup>	Annual Fund Operating Expenses Effective 02/29/2012		
				One Year %	Three Years %	Five Years %	Ten Years %	Inception to Date %		Total %	Net %	
<b>Russell Funds – Class S</b>												
<b>U.S. Equity Funds</b>												
<b>Russell U.S. Core Equity Fund <sup>3</sup></b>	<b>RLISX</b>	<b>3.15</b>	<b>13.81</b>	<b>13.81</b>	<b>4.47</b>	<b>21.78</b>	<b>0.93</b>	<b>3.84</b>	<b>10.40</b>	<b>10/15/81</b>	<b>0.82</b>	<b>0.82</b>
Russell 1000® Index		3.13	12.90	12.90	7.86	24.03	2.19	4.53	11.32	10/15/81	--	--
Morningstar® Large Blend		2.61	12.48	12.48	4.93	22.54	1.13	3.75	--	--	--	--
<b>Russell U.S. Quantitative Equity Fund <sup>3</sup></b>	<b>REQTX</b>	<b>2.98</b>	<b>13.03</b>	<b>13.03</b>	<b>9.25</b>	<b>23.04</b>	<b>0.80</b>	<b>3.57</b>	<b>8.87</b>	<b>05/29/87</b>	<b>1.01</b>	<b>1.01</b>
Russell 1000® Index		3.13	12.90	12.90	7.86	24.03	2.19	4.53	9.17	05/29/87	--	--
Morningstar® Large Blend		2.61	12.48	12.48	4.93	22.54	1.13	3.75	--	--	--	--
<b>Russell U.S. Growth Fund</b>	<b>RSGSX</b>	<b>3.74</b>	<b>16.73</b>	<b>16.73</b>	<b>10.23</b>	<b>24.56</b>	<b>3.47</b>	<b>3.47</b>	<b>0.15</b>	<b>01/31/01</b>	<b>1.29</b>	<b>1.16</b>
Russell 1000® Growth Index		3.29	14.69	14.69	11.02	25.28	5.10	4.28	0.88	01/31/01	--	--
Morningstar® Large Growth		3.36	15.79	15.79	6.93	23.39	3.52	4.04	--	--	--	--
<b>Russell U.S. Value Fund</b>	<b>RSVSX</b>	<b>2.67</b>	<b>14.03</b>	<b>14.03</b>	<b>3.20</b>	<b>25.39</b>	<b>-2.21</b>	<b>3.42</b>	<b>2.64</b>	<b>01/31/01</b>	<b>1.15</b>	<b>1.15</b>
Russell 1000® Value Index		2.96	11.12	11.12	4.79	22.82	-0.81	4.58	3.89	01/31/01	--	--
Morningstar® Large Value		2.43	11.05	11.05	3.75	21.81	-0.24	4.08	--	--	--	--
<b>Russell U.S. Small Cap Equity Fund <sup>3</sup> †</b>	<b>RLESX</b>	<b>3.35</b>	<b>14.29</b>	<b>14.29</b>	<b>0.85</b>	<b>27.82</b>	<b>0.90</b>	<b>5.57</b>	<b>10.78</b>	<b>12/28/81</b>	<b>1.00</b>	<b>1.00</b>
Russell 2000® Index		2.56	12.44	12.44	-0.18	26.90	2.13	6.45	10.17	12/28/81	--	--
Russell 2500™ Index		2.15	12.99	12.99	1.33	28.42	3.03	7.49	11.82	12/31/81	--	--
U.S. Small Cap Equity linked benchmark <sup>4</sup>		2.56	12.44	12.44	0.84	28.21	2.93	7.44	--	--	--	--
Morningstar® Small Blend		2.12	12.29	12.29	0.11	28.11	1.90	6.57	--	--	--	--
<b>International and Global Equity Funds</b>												
<b>Russell International Developed Markets Fund <sup>3</sup></b>	<b>RINTX</b>	<b>0.44</b>	<b>11.48</b>	<b>11.48</b>	<b>-6.81</b>	<b>16.22</b>	<b>-3.93</b>	<b>5.07</b>	<b>9.37</b>	<b>01/31/83</b>	<b>0.99</b>	<b>0.99</b>
Russell Developed ex-US Large Cap Index Net		-0.82	10.60	10.60	-6.85	18.21	-2.65	6.35	--	--	--	--
International Developed Markets linked benchmark <sup>5</sup>		-0.82	10.60	10.60	-6.85	16.95	-3.60	5.65	--	--	--	--
Morningstar® Foreign Large Blend		0.02	11.86	11.86	-6.69	18.02	-3.06	5.15	--	--	--	--
<b>Russell Global Equity Fund</b>	<b>RGESX</b>	<b>0.78</b>	<b>13.25</b>	<b>13.25</b>	<b>-1.25</b>	<b>21.41</b>	<b>-0.75</b>	<b>--</b>	<b>-0.51</b>	<b>02/28/07</b>	<b>1.25</b>	<b>1.25</b>
Russell Developed Large Cap Index Net		1.25	11.75	11.75	0.28	20.83	-0.50	--	-0.12	02/28/07	--	--

Global Equity linked benchmark <sup>6</sup>		1.25	11.75	11.75	0.28	20.24	-0.70	--	-0.33	02/28/07	--	--
Morningstar® World Stock		0.98	11.91	11.91	-1.26	21.43	-0.15	--	--	--	--	--
<b>Russell Emerging Markets Fund</b>	<b>REMSX</b>	<b>-2.34</b>	<b>13.83</b>	<b>13.83</b>	<b>-7.85</b>	<b>27.87</b>	<b>4.97</b>	<b>14.18</b>	<b>7.56</b>	<b>01/29/93</b>	<b>1.54</b>	<b>1.54</b>
Russell Emerging Markets Index Net		-3.22	14.65	14.65	-8.88	26.89	4.91	13.64	--	--	--	--
Emerging Markets linked benchmark <sup>7</sup>		-3.22	14.65	14.65	-8.88	24.77	4.52	14.05	--	--	--	--
Morningstar® Diversified Emerging Mkts		-2.08	13.55	13.55	-8.69	25.01	2.49	12.96	--	--	--	--

### Tax-Managed Equity Funds

<b>Russell Tax-Managed U.S. Large Cap Fund <sup>8</sup></b> (Returns Before Taxes)	<b>RETSX</b>	<b>3.23</b>	<b>15.53</b>	<b>15.53</b>	<b>7.81</b>	<b>24.90</b>	<b>2.13</b>	<b>3.59</b>	<b>6.07</b>	<b>10/07/96</b>	<b>1.01</b>	<b>0.97</b>
Returns after Taxes on Distributions <sup>9</sup>		3.23	15.53	15.53	7.76	24.82	2.01	3.45	5.90	10/07/96	1.01	0.97
Returns after Taxes on Distributions and Sale of Fund Shares <sup>9 10</sup>		2.10	10.10	10.10	5.13	21.77	1.79	3.07	5.33	10/07/96	1.01	0.97
S&P 500® Index		3.29	12.59	12.59	8.54	23.42	2.01	4.12	6.48	10/07/96	--	--
Morningstar® Large Growth		3.36	15.79	15.79	6.93	23.39	3.52	4.04	--	--	--	--

<b>Russell Tax-Managed U.S. Mid &amp; Small Cap Fund <sup>8</sup></b> (Returns Before Taxes)	<b>RTSSX</b>	<b>2.71</b>	<b>12.31</b>	<b>12.31</b>	<b>2.64</b>	<b>29.76</b>	<b>4.31</b>	<b>7.29</b>	<b>5.19</b>	<b>11/30/99</b>	<b>1.36</b>	<b>1.25</b>
Returns after Taxes on Distributions <sup>9</sup>		2.71	12.31	12.31	2.64	29.76	3.98	7.10	5.03	11/30/99	1.36	1.25
Returns after Taxes on Distributions and Sale of Fund Shares <sup>9 10</sup>		1.76	8.00	8.00	1.72	26.14	3.62	6.39	4.53	11/30/99	1.36	1.25
Russell 2500™ Index		2.15	12.99	12.99	1.33	28.42	3.03	7.49	7.71	11/30/99	--	--
Morningstar® Small Blend		2.12	12.29	12.29	0.11	28.11	1.90	6.57	--	--	--	--
Russell Small Cap Completeness™ Index		2.16	14.16	14.16	1.57	28.71	3.28	7.34	5.39	11/30/99	--	--

### Taxable Fixed Income Funds

<b>Russell Global Opportunistic Credit Fund <sup>11</sup></b>	<b>RGCSX</b>	<b>0.20</b>	<b>6.11</b>	<b>6.11</b>	<b>7.23</b>	--	--	--	<b>6.85</b>	<b>09/30/10</b>	<b>1.33</b>	<b>0.97</b>
Bank of America Merrill Lynch (BofAML) Global High Yield Index (hedged)		0.20	6.97	6.97	6.18	--	--	--	8.53	09/30/10	--	--
Bank of America Merrill Lynch (BofAML) Global High Yield Index (unhedged)		0.12	7.41	7.41	5.12	--	--	--	8.21	09/30/10	--	--
Global Opportunistic Credit blended benchmark <sup>12</sup>		0.21	5.88	5.88	8.12	--	--	--	7.87	09/30/10	--	--
Morningstar® Multisector Bond		0.00	4.10	4.10	5.22	--	--	--	--	--	--	--

<b>Russell Strategic Bond Fund <sup>3</sup></b>	<b>RFCTX</b>	<b>-0.03</b>	<b>2.32</b>	<b>2.32</b>	<b>6.34</b>	<b>12.45</b>	<b>6.31</b>	<b>6.08</b>	<b>6.39</b>	<b>01/29/93</b>	<b>0.79</b>	<b>0.77</b>
Barclays Capital U.S. Aggregate Bond Index		-0.55	0.30	0.30	7.71	6.83	6.25	5.80	6.31	01/29/93	--	--
Morningstar® Intermediate-Term Bond		-0.33	1.60	1.60	6.51	9.84	5.67	5.39	--	--	--	--

<b>Russell Investment Grade Bond Fund <sup>13</sup></b>	<b>RFATX</b>	<b>-0.29</b>	<b>1.23</b>	<b>1.23</b>	<b>6.44</b>	<b>10.16</b>	<b>6.28</b>	<b>5.75</b>	<b>8.76</b>	<b>10/15/81</b>	<b>0.56</b>	<b>0.56</b>
Barclays Capital U.S. Aggregate Bond Index		-0.55	0.30	0.30	7.71	6.83	6.25	5.80	9.19	09/30/81	--	--
Morningstar® Intermediate-Term Bond		-0.33	1.60	1.60	6.51	9.84	5.67	5.39	--	--	--	--

<b>Russell Short Duration Bond Fund</b>	<b>RFBSX</b>	<b>0.29</b>	<b>1.75</b>	<b>1.75</b>	<b>2.29</b>	<b>6.59</b>	<b>4.09</b>	<b>3.66</b>	<b>6.94</b>	<b>10/30/81</b>	<b>0.76</b>	<b>0.63</b>
Merrill Lynch US Treasuries 1-3 Year		-0.06	-0.08	-0.08	1.44	1.50	3.38	3.24	6.83	10/31/81	--	--
Morningstar® Short-Term Bond		0.12	1.33	1.33	2.43	5.22	3.48	3.53	--	--	--	--

### Tax Exempt Fixed Income Fund

<b>Russell Tax Exempt Bond Fund <sup>8</sup></b>	<b>RLV SX</b>	<b>-0.70</b>	<b>0.82</b>	<b>0.82</b>	<b>7.85</b>	<b>5.75</b>	<b>4.62</b>	<b>4.27</b>	<b>4.80</b>	<b>09/05/85</b>	<b>0.59</b>	<b>0.55</b>
Barclays Capital 1-10 Year Municipal Bond (1-12) Index		-0.62	0.53	0.53	7.47	5.29	5.30	4.78	--	--	--	--
Morningstar® Muni National Interm		-0.85	1.23	1.23	9.49	6.80	4.66	4.50	--	--	--	--

### Real Asset Funds

<b>Russell Global Real Estate Securities Fund</b>	<b>RRESX</b>	<b>1.32</b>	<b>12.29</b>	<b>12.29</b>	<b>1.44</b>	<b>32.89</b>	<b>-3.22</b>	<b>9.11</b>	<b>10.25</b>	<b>07/28/89</b>	<b>1.11</b>	<b>1.11</b>
FTSE EPRA/NAREIT Developed Index Net		1.12	12.72	12.72	2.47	30.57	-4.79	--	4.51	02/18/05	--	--
Global Real Estate linked benchmark <sup>14</sup>		1.12	12.72	12.72	2.47	35.74	-2.87	8.90	--	--	--	--
Morningstar® Global Real Estate		0.67	13.96	13.96	0.17	28.08	-5.22	9.34	--	--	--	--

<b>Russell Global Infrastructure Fund</b>	<b>RGISX</b>	<b>0.19</b>	<b>7.45</b>	<b>7.45</b>	<b>1.81</b>	--	--	--	<b>8.32</b>	<b>09/30/10</b>	<b>1.61</b>	<b>1.34</b>
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S&P Global Infrastructure Index		0.06	6.72	6.72	0.26	--	--	--	6.75	09/30/10	--	--
Morningstar® World Stock		0.98	11.91	11.91	-1.26	--	--	--	--	--	--	--
<b>Russell Commodity Strategies Fund</b>	<b>RCCSX</b>	<b>-3.99</b>	<b>0.84</b>	<b>0.84</b>	<b>-15.78</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7.79</b>	<b>06/30/10</b>	<b>1.55</b>	<b>1.30</b>
Dow Jones - UBS Commodity Index Total Return		-4.14	0.89	0.89	-16.28	--	--	--	7.24	06/30/10	--	--
Morningstar® Commodities Broad Basket		-3.12	3.92	3.92	-10.03	--	--	--	--	--	--	--

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:

- for the Russell Strategic Bond Fund, Russell Short Duration Bond Fund, Russell Global Opportunistic Credit Fund, Russell Global Infrastructure Fund, Russell Tax Exempt Bond Fund, Russell Tax-Managed U.S. Large Cap Fund, and Russell Tax-Managed U.S. Mid & Small Cap Fund, a contractual transfer agency fee waiver through February 28, 2013.
- for the Russell U.S. Growth Fund, Russell Tax Managed US Mid & Small Cap Fund, Russell Commodity Strategies Fund, the Russell Global Opportunistic Credit Fund, the Russell Global Infrastructure Fund, and the Russell Short Duration Bond Fund, a contractual advisory fee waiver and/or reimbursement through February 28, 2013.
- for the Russell U.S. Growth Fund, and Russell Tax Managed US Mid & Small Cap Fund, a contractual cap on expenses through February 28, 2013.

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 funds return would have been lower.

## Performance for Quarter Ending March 31, 2012

Ticker	Latest Month	Latest Three Months	Year to Date	Annualized Returns Ending 03/31/2012					Fund Inception Date <sup>2</sup>	Annual Fund Operating Expenses Effective 02/29/2012		
				One Year %	Three Years %	Five Years %	Ten Years %	Inception to Date %		Total %	Net %	
<b>Russell Funds – Class S</b>												
<b>U.S. Equity Funds</b>												
<b>Russell U.S. Core Equity Fund<sup>3</sup></b>	<b>RLISX</b>	<b>3.15</b>	<b>13.81</b>	<b>13.81</b>	<b>4.47</b>	<b>21.78</b>	<b>0.93</b>	<b>3.84</b>	<b>10.40</b>	<b>10/15/81</b>	<b>0.82</b>	<b>0.82</b>
Russell 1000® Index		3.13	12.90	12.90	7.86	24.03	2.19	4.53	11.32	10/15/81	--	--
Morningstar® Large Blend		2.61	12.48	12.48	4.93	22.54	1.13	3.75	--	--	--	--
<b>Russell U.S. Quantitative Equity Fund<sup>3</sup></b>	<b>REQTX</b>	<b>2.98</b>	<b>13.03</b>	<b>13.03</b>	<b>9.25</b>	<b>23.04</b>	<b>0.80</b>	<b>3.57</b>	<b>8.87</b>	<b>05/29/87</b>	<b>1.01</b>	<b>1.01</b>
Russell 1000® Index		3.13	12.90	12.90	7.86	24.03	2.19	4.53	9.17	05/29/87	--	--
Morningstar® Large Blend		2.61	12.48	12.48	4.93	22.54	1.13	3.75	--	--	--	--
<b>Russell U.S. Growth Fund</b>	<b>RSGSX</b>	<b>3.74</b>	<b>16.73</b>	<b>16.73</b>	<b>10.23</b>	<b>24.56</b>	<b>3.47</b>	<b>3.47</b>	<b>0.15</b>	<b>01/31/01</b>	<b>1.29</b>	<b>1.16</b>
Russell 1000® Growth Index		3.29	14.69	14.69	11.02	25.28	5.10	4.28	0.88	01/31/01	--	--
Morningstar® Large Growth		3.36	15.79	15.79	6.93	23.39	3.52	4.04	--	--	--	--
<b>Russell U.S. Value Fund</b>	<b>RSVSX</b>	<b>2.67</b>	<b>14.03</b>	<b>14.03</b>	<b>3.20</b>	<b>25.39</b>	<b>-2.21</b>	<b>3.42</b>	<b>2.64</b>	<b>01/31/01</b>	<b>1.15</b>	<b>1.15</b>
Russell 1000® Value Index		2.96	11.12	11.12	4.79	22.82	-0.81	4.58	3.89	01/31/01	--	--
Morningstar® Large Value		2.43	11.05	11.05	3.75	21.81	-0.24	4.08	--	--	--	--
<b>Russell U.S. Small Cap Equity Fund<sup>3</sup> †</b>	<b>RLESX</b>	<b>3.35</b>	<b>14.29</b>	<b>14.29</b>	<b>0.85</b>	<b>27.82</b>	<b>0.90</b>	<b>5.57</b>	<b>10.78</b>	<b>12/28/81</b>	<b>1.00</b>	<b>1.00</b>
Russell 2000® Index		2.56	12.44	12.44	-0.18	26.90	2.13	6.45	10.17	12/28/81	--	--
Russell 2500™ Index		2.15	12.99	12.99	1.33	28.42	3.03	7.49	11.82	12/31/81	--	--
U.S. Small Cap Equity linked benchmark <sup>4</sup>		2.56	12.44	12.44	0.84	28.21	2.93	7.44	--	--	--	--
Morningstar® Small Blend		2.12	12.29	12.29	0.11	28.11	1.90	6.57	--	--	--	--
<b>International and Global Equity Funds</b>												
<b>Russell International</b>	<b>RINTX</b>	<b>0.44</b>	<b>11.48</b>	<b>11.48</b>	<b>-6.81</b>	<b>16.22</b>	<b>-3.93</b>	<b>5.07</b>	<b>9.37</b>	<b>01/31/83</b>	<b>0.99</b>	<b>0.99</b>

<b>Developed Markets Fund <sup>3</sup></b>												
Russell Developed ex-US Large Cap Index Net	-0.82	10.60	10.60	-6.85	18.21	-2.65	6.35	--	--	--	--	--
International Developed Markets linked benchmark <sup>5</sup>	-0.82	10.60	10.60	-6.85	16.95	-3.60	5.65	--	--	--	--	--
Morningstar® Foreign Large Blend	0.02	11.86	11.86	-6.69	18.02	-3.06	5.15	--	--	--	--	--

<b>Russell Global Equity Fund</b>												
<b>RGESX</b>	<b>0.78</b>	<b>13.25</b>	<b>13.25</b>	<b>-1.25</b>	<b>21.41</b>	<b>-0.75</b>	<b>--</b>	<b>-0.51</b>	<b>02/28/07</b>	<b>1.25</b>	<b>1.25</b>	
Russell Developed Large Cap Index Net	1.25	11.75	11.75	0.28	20.83	-0.50	--	-0.12	02/28/07	--	--	
Global Equity linked benchmark <sup>6</sup>	1.25	11.75	11.75	0.28	20.24	-0.70	--	-0.33	02/28/07	--	--	
Morningstar® World Stock	0.98	11.91	11.91	-1.26	21.43	-0.15	--	--	--	--	--	

<b>Russell Emerging Markets Fund</b>												
<b>REMSX</b>	<b>-2.34</b>	<b>13.83</b>	<b>13.83</b>	<b>-7.85</b>	<b>27.87</b>	<b>4.97</b>	<b>14.18</b>	<b>7.56</b>	<b>01/29/93</b>	<b>1.54</b>	<b>1.54</b>	
Russell Emerging Markets Index Net	-3.22	14.65	14.65	-8.88	26.89	4.91	13.64	--	--	--	--	
Emerging Markets linked benchmark <sup>7</sup>	-3.22	14.65	14.65	-8.88	24.77	4.52	14.05	--	--	--	--	
Morningstar® Diversified Emerging Mkts	-2.08	13.55	13.55	-8.69	25.01	2.49	12.96	--	--	--	--	

### **Tax-Managed Equity Funds**

<b>Russell Tax-Managed U.S. Large Cap Fund <sup>8</sup> (Returns Before Taxes)</b>												
<b>RETSX</b>	<b>3.23</b>	<b>15.53</b>	<b>15.53</b>	<b>7.81</b>	<b>24.90</b>	<b>2.13</b>	<b>3.59</b>	<b>6.07</b>	<b>10/07/96</b>	<b>1.01</b>	<b>0.97</b>	
Returns after Taxes on Distributions <sup>9</sup>	3.23	15.53	15.53	7.76	24.82	2.01	3.45	5.90	10/07/96	1.01	0.97	
Returns after Taxes on Distributions and Sale of Fund Shares <sup>9 10</sup>	2.10	10.10	10.10	5.13	21.77	1.79	3.07	5.33	10/07/96	1.01	0.97	
S&P 500® Index	3.29	12.59	12.59	8.54	23.42	2.01	4.12	6.48	10/07/96	--	--	
Morningstar® Large Growth	3.36	15.79	15.79	6.93	23.39	3.52	4.04	--	--	--	--	

<b>Russell Tax-Managed U.S. Mid &amp; Small Cap Fund <sup>8</sup> (Returns Before Taxes)</b>												
<b>RTSSX</b>	<b>2.71</b>	<b>12.31</b>	<b>12.31</b>	<b>2.64</b>	<b>29.76</b>	<b>4.31</b>	<b>7.29</b>	<b>5.19</b>	<b>11/30/99</b>	<b>1.36</b>	<b>1.25</b>	
Returns after Taxes on Distributions <sup>9</sup>	2.71	12.31	12.31	2.64	29.76	3.98	7.10	5.03	11/30/99	1.36	1.25	
Returns after Taxes on Distributions and Sale of Fund Shares <sup>9 10</sup>	1.76	8.00	8.00	1.72	26.14	3.62	6.39	4.53	11/30/99	1.36	1.25	
Russell 2500™ Index	2.15	12.99	12.99	1.33	28.42	3.03	7.49	7.71	11/30/99	--	--	
Morningstar® Small Blend	2.12	12.29	12.29	0.11	28.11	1.90	6.57	--	--	--	--	
Russell Small Cap Completeness™ Index	2.16	14.16	14.16	1.57	28.71	3.28	7.34	5.39	11/30/99	--	--	

### **Taxable Fixed Income Funds**

<b>Russell Global Opportunistic Credit Fund <sup>11</sup></b>												
<b>RGCSX</b>	<b>0.20</b>	<b>6.11</b>	<b>6.11</b>	<b>7.23</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.85</b>	<b>09/30/10</b>	<b>1.33</b>	<b>0.97</b>	
Bank of America Merrill Lynch (BofAML) Global High Yield Index (hedged)	0.20	6.97	6.97	6.18	--	--	--	8.53	09/30/10	--	--	
Bank of America Merrill Lynch (BofAML) Global High Yield Index (unhedged)	0.12	7.41	7.41	5.12	--	--	--	8.21	09/30/10	--	--	
Global Opportunistic Credit blended benchmark <sup>12</sup>	0.21	5.88	5.88	8.12	--	--	--	7.87	09/30/10	--	--	
Morningstar® Multisector Bond	0.00	4.10	4.10	5.22	--	--	--	--	--	--	--	

<b>Russell Strategic Bond Fund <sup>3</sup></b>												
<b>RFCTX</b>	<b>-0.03</b>	<b>2.32</b>	<b>2.32</b>	<b>6.34</b>	<b>12.45</b>	<b>6.31</b>	<b>6.08</b>	<b>6.39</b>	<b>01/29/93</b>	<b>0.79</b>	<b>0.77</b>	
Barclays Capital U.S. Aggregate Bond Index	-0.55	0.30	0.30	7.71	6.83	6.25	5.80	6.31	01/29/93	--	--	
Morningstar® Intermediate-Term Bond	-0.33	1.60	1.60	6.51	9.84	5.67	5.39	--	--	--	--	

<b>Russell Investment Grade Bond Fund <sup>13</sup></b>												
<b>RFATX</b>	<b>-0.29</b>	<b>1.23</b>	<b>1.23</b>	<b>6.44</b>	<b>10.16</b>	<b>6.28</b>	<b>5.75</b>	<b>8.76</b>	<b>10/15/81</b>	<b>0.56</b>	<b>0.56</b>	
Barclays Capital U.S. Aggregate Bond Index	-0.55	0.30	0.30	7.71	6.83	6.25	5.80	9.19	09/30/81	--	--	
Morningstar® Intermediate-Term Bond	-0.33	1.60	1.60	6.51	9.84	5.67	5.39	--	--	--	--	

<b>Russell Short Duration Bond Fund</b>												
<b>RFBSX</b>	<b>0.29</b>	<b>1.75</b>	<b>1.75</b>	<b>2.29</b>	<b>6.59</b>	<b>4.09</b>	<b>3.66</b>	<b>6.94</b>	<b>10/30/81</b>	<b>0.76</b>	<b>0.63</b>	
Merrill Lynch US Treasuries 1-3 Year	-0.06	-0.08	-0.08	1.44	1.50	3.38	3.24	6.83	10/31/81	--	--	
Morningstar® Short-Term Bond	0.12	1.33	1.33	2.43	5.22	3.48	3.53	--	--	--	--	

### **Tax Exempt Fixed Income Fund**

<b>Russell Tax Exempt Bond Fund <sup>8</sup></b>												
<b>RLVXS</b>	<b>-0.70</b>	<b>0.82</b>	<b>0.82</b>	<b>7.85</b>	<b>5.75</b>	<b>4.62</b>	<b>4.27</b>	<b>4.80</b>	<b>09/05/85</b>	<b>0.59</b>	<b>0.55</b>	
Barclays Capital 1-10 Year Municipal Bond (1-12) Index	-0.62	0.53	0.53	7.47	5.29	5.30	4.78	--	--	--	--	
Morningstar® Muni National Interim	-0.85	1.23	1.23	9.49	6.80	4.66	4.50	--	--	--	--	

## Real Asset Funds

<b>Russell Global Real Estate Securities Fund</b>	<b>RRESX</b>	<b>1.32</b>	<b>12.29</b>	<b>12.29</b>	<b>1.44</b>	<b>32.89</b>	<b>-3.22</b>	<b>9.11</b>	<b>10.25</b>	<b>07/28/89</b>	<b>1.11</b>	<b>1.11</b>
FTSE EPRA/NAREIT Developed Index Net		1.12	12.72	12.72	2.47	30.57	-4.79	--	4.51	02/18/05	--	--
Global Real Estate linked benchmark <sup>14</sup>		1.12	12.72	12.72	2.47	35.74	-2.87	8.90	--	--	--	--
Morningstar® Global Real Estate		0.67	13.96	13.96	0.17	28.08	-5.22	9.34	--	--	--	--
<b>Russell Global Infrastructure Fund</b>	<b>RGISX</b>	<b>0.19</b>	<b>7.45</b>	<b>7.45</b>	<b>1.81</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>8.32</b>	<b>09/30/10</b>	<b>1.61</b>	<b>1.34</b>
S&P Global Infrastructure Index		0.06	6.72	6.72	0.26	--	--	--	6.75	09/30/10	--	--
Morningstar® World Stock		0.98	11.91	11.91	-1.26	--	--	--	--	--	--	--
<b>Russell Commodity Strategies Fund</b>	<b>RCCSX</b>	<b>-3.99</b>	<b>0.84</b>	<b>0.84</b>	<b>-15.78</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>7.79</b>	<b>06/30/10</b>	<b>1.55</b>	<b>1.30</b>
Dow Jones - UBS Commodity Index Total Return		-4.14	0.89	0.89	-16.28	--	--	--	7.24	06/30/10	--	--
Morningstar® Commodities Broad Basket		-3.12	3.92	3.92	-10.03	--	--	--	--	--	--	--

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:

- for the Russell Strategic Bond Fund, Russell Short Duration Bond Fund, Russell Global Opportunistic Credit Fund, Russell Global Infrastructure Fund, Russell Tax Exempt Bond Fund, Russell Tax-Managed U.S. Large Cap Fund, and Russell Tax-Managed U.S. Mid & Small Cap Fund, a contractual transfer agency fee waiver through February 28, 2013.
- for the Russell U.S. Growth Fund, Russell Tax Managed US Mid & Small Cap Fund, Russell Commodity Strategies Fund, the Russell Global Opportunistic Credit Fund, the Russell Global Infrastructure Fund, and the Russell Short Duration Bond Fund, a contractual advisory fee waiver and/or reimbursement through February 28, 2013.
- for the Russell U.S. Growth Fund, and Russell Tax Managed US Mid & Small Cap Fund, a contractual cap on expenses through February 28, 2013.

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 funds return would have been lower.

†On January 1, 2012, the Russell U.S. Small & Mid Cap Fund was renamed the Russell U.S. Small Cap Equity Fund.

<sup>1</sup>Fund performance is calculated based on the SEC standardized method. Periods of 12 months and over are annualized. For periods prior to April 1, 1995, performance results for the Russell Emerging Markets – Class S and Russell Short Duration Bond Fund – Class S are reported gross of investment advisory and administrative fees. Had these been reflected, the fund performance would have been negatively affected. For periods thereafter, performance is reported net of investment advisory and administrative fees but gross of financial intermediary fees, descriptions of which can be obtained from the financial intermediary upon request.

<sup>2</sup>Fund inception is since the initial investment in the Fund. For index and benchmark comparisons, the date shown represents the date the index comparison began and may not be the actual inception date.

<sup>3</sup>The Fund first issued Class S Shares on September 2, 2008. The returns shown for Class S Shares prior to that date are the returns of the Fund's Class I Shares.

<sup>4</sup>U.S. Small Cap Equity linked benchmark represents the returns of the Russell 2500 Index through December 31, 2011 and the returns of the Russell 2000 Index thereafter.

<sup>5</sup>International Developed Markets linked benchmark represents the returns of the MSCI EAFE Index Net through December 31, 2010 and the returns of the Russell Developed ex-US Large Cap Index Net thereafter.

<sup>6</sup>Global Equity linked benchmark represents the returns of the MSCI World Net Dividend Index through December 31, 2010 and the returns of the Russell Developed Large Cap Index Net thereafter.

<sup>7</sup>Emerging Markets linked benchmark represents the returns of the MSCI Emerging Markets Index Net through December 31, 2010 and the returns of the Russell Emerging Markets Index Net thereafter.

<sup>8</sup>Income from funds managed for tax efficiency may be subject to alternative minimum tax, and/or any applicable state and local taxes.

<sup>9</sup>After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns

shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements such as 401(k) plans or individual retirement accounts. Returns After Taxes on Distributions may be the same as Returns Before Taxes for the same period if there were no distributions for that period.

<sup>10</sup>If a Fund has realized capital losses, the Return After Taxes on Distributions and Sale of Fund Shares may be higher than the Return Before Taxes and the Return After Taxes on Distributions. The calculation of Return After Taxes on Distributions and Sale of Fund Shares assumes that a shareholder has sufficient capital gains of the same character to offset any capital losses on a sale of fund shares and that the shareholder may therefore deduct the entire capital loss.

<sup>11</sup>Effective January 1, 2012 the primary benchmark for this fund changed to the BofAML Global High Yield Index (hedged) version.

<sup>12</sup>Global Opportunistic Credit blended benchmark is a composite index consisting of 60% Bank of America Merrill Lynch (BofAML) Global High Yield Index and 40% JP Morgan EMBI Global Diversified Index.

<sup>13</sup>The fund first issued Class S Shares on October 19, 2007. The returns shown for Class S shares are those of the fund's Class I Shares through October 19, 2007. Annual returns will differ only the extent that Class S Shares do not have the same expenses as the Class I Shares.

<sup>14</sup>Global Real Estate linked benchmark represents the returns of the FTSE NAREIT Equity REITs Index through September 30, 2010 and the returns of the FTSE EPRA/NAREIT Developed Index Net thereafter.

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

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The Russell Small Cap Completeness™ Index measures the performance of the companies in the Russell 3000 Index excluding the companies in the Standard & Poor's 500 Index.

The Russell 1000® Value Index measures the performance of those Russell 1000® Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 1000® Growth Index measures the performance of those Russell 1000® Index securities with higher price-to-book ratios and higher forecasted growth values, representative of U.S. Securities exhibiting growth characteristics.

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

The FTSE NAREIT Equity REITs Index is an index, with dividends reinvested, representative of tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System.

The 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.

The Barclays Capital 1-10 Year Municipal Bond (1-12) Index is an index, with income reinvested, representative of municipal bonds with maturities ranging from 1-10 years.

The Merrill Lynch US Treasuries 1-3 Year Index is an index representative of coupon-bearing U.S. Treasury debt with terms to maturity of at least one year. Source: Merrill Lynch, used with permission. Merrill Lynch is licensing the Merrill Lynch Indices "as is", makes no warranties regarding same, does not guarantee the quality, accuracy, and/or completeness of the Merrill Lynch Indices or any data included therein or derived therefrom, and assumes no liability in connection with their use.

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The MSCI World Index is a market capitalization index, with net or with gross dividends reinvested, that is designed to measure global

developed market equity performance. The Index is composed of companies representative of the market structure of 23 developed market countries in North America, Europe and the Asia/Pacific Region.

MSCI EAFE Index is an index, with dividends reinvested, representative of the securities markets of 20 developed countries in Europe, Australasia and the Far East.

MSCI Emerging Markets Index is a market capitalization weighted index of over 850 stocks traded in 22 world markets.

The Russell Developed ex-US Large Cap Index offers investors 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 Developed Large Cap Index offers investors access to the large-cap segment of the developed equity universe representing approximately 70% of the global equity market. This index includes the largest securities in the Russell Developed 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<sup>SM</sup>, which is a broadly diversified collateralized commodities futures index comprised of futures contracts on 20 physical commodities.

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The 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.

The Bank of America Merrill Lynch (BofAML) Global High Yield Index tracks the performance in US dollars on either a currency hedged or unhedged basis of Canadian Dollar, British sterling, US dollar and euro denominated developed market below investment grade corporate debt publicly issued in the major US or eurobond markets. Russell believes that the hedged version of the index is a more appropriate benchmark for the Fund.

JP Morgan EMBI Global Diversified is a uniquely weighted index that tracks total returns for U.S. dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities.

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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.

Non-U.S. markets and emerging or developing markets entail different risks than those typically associated with U.S. markets, including currency fluctuations, political and economic instability, accounting changes, and foreign taxation. Non-U.S. securities may be less liquid and more volatile than the U.S. and emerging markets securities may be less liquid and more volatile than U.S. and longer-established non-U.S. markets.

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.

Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities, particularly if the investments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or sectors affecting a particular industry or commodity and international economic, political and regulatory developments. The use of leveraged commodity-linked derivatives creates an opportunity for increased return, but also creates the possibility for a greater loss.

The Russell Commodity Strategies Fund, Russell Global Infrastructure Fund, and Russell Global Opportunistic Credit Strategies Fund are classified as "non-diversified funds" under the 1940 Act which means that a relatively high percentage of the Funds' assets may be invested in a limited number of issuers. Thus, the Funds may be more susceptible to adverse developments affecting any single issuer held in their portfolios, and may be more susceptible to greater losses because of these developments.

Investments in infrastructure-related companies have greater exposure to the potential adverse economic, regulatory, political and other

changes affecting such entities. Investment in infrastructure-related companies are subject to various risks, including government regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and surplus capacity, competition from other providers of services and other factors. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than \$2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which can be expected to have less stability than those of more developed countries. Securities may be less liquid and more volatile than U.S. and longer-established non-U.S. markets.

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 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.

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 sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

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