

# Russell Emerging Markets Fund

## Money Manager Overview

April 2012

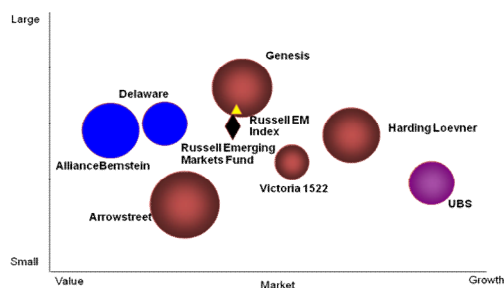
### The fund

Russell uses a multi-asset, multi-style and multi-manager approach to construct and manage its investment portfolios. Assets are typically managed by multiple investment management firms that Russell researches and hires (subject to Fund Board approval), monitors and terminates on an ongoing basis. Russell has a comprehensive, in-depth research process tailored to the emerging markets asset class and dedicated professionals that lead to a deep understanding of managers. Managers are selected based on their potential to outperform the fund's benchmark and diversity of processes.

The Russell Emerging Markets Fund includes managers that provide either a value, growth or market-oriented style of investing. The managers may employ a quantitative, process-based approach, or a fundamental, security-specific selection methodology, or a combination of both. The managers may evaluate investment opportunities based on a macro-economic framework (top-down) or a security specific framework (bottom-up). The fund has exposure to a mix of complementary processes.

This fund is intended to provide access to managers that evaluate stocks outside the U.S., focusing in emerging markets. In an emerging markets fund, managers evaluate companies and select those they believe will add value to a portfolio, taking into account sectors, industries and countries. Russell research suggests that country effects may be more important in emerging markets than in other asset classes, so where appropriate, money managers in this fund are given greater discretion to make country bets than would be typical in other Russell non-U.S. funds. Russell uses multiple managers with differing strategies to help manage the risk associated with this approach. Several of the investment products offered by the managers in this fund are closed to new investors. The benchmark is the Russell Emerging Markets Index (net).

### Money Manager Mosaic (as of April 2012)



This mosaic depicts, at a specific point in time, the approximate relative weighting of managers within the fund plotted on the basis of expected cap size and style against fund benchmark (▲). Manager positions on this mosaic change over time as their allocations and holdings change. The circle size represents the relative size of each manager's assignment in the fund.



### Russell portfolio manager

Gustavo Galindo

### The Russell portfolio manager's role

The Russell portfolio manager is responsible for selecting the managers included in the fund and determining the appropriate weight for each manager's assignment. There may be a number of reasons why a manager is added to or removed from a fund, including a change in control at a money manager, the opportunity to select a manager Russell believes offers an investment proposition that would improve the excess return potential of the fund, or the departure of a key individual at a money manager.

While the portfolio manager makes the decision to change the manager line-up, that decision must be validated through an internal Russell governance process to ensure all key considerations are addressed by the portfolio manager. Manager changes are also subject to approval by the fund's Board of Trustees.

### Target allocation of assets:

#### Growth

12.5% UBS Global Asset Management (Americas), Inc.

#### Market-Oriented

20% Arrowstreet Capital, Limited Partnership  
 17.5% Genesis Asset Managers, LLP  
 15% Harding Loevner, LP  
 7.5% Victoria 1522 Investments, LP

#### Value

15% AllianceBernstein, L.P.  
 12.5% Delaware Management Company

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

# Russell Emerging Markets Fund Manager Profile

## UBS Global Asset Management (Americas), Inc.

April 2012

### Firm background:

UBS Global Asset Management, Inc., a business division of UBS, provides traditional, alternative, real estate, infrastructure and private equity investment solutions to private clients, financial intermediaries and institutional investors worldwide.

**Headquarters:** San Diego, CA

**Founded:** 2007

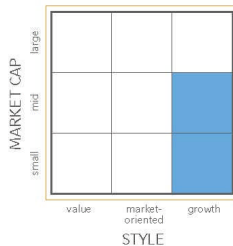
**Lead manager:** Joseph Devine

**Asset Class:** Emerging markets equity

**Investment style:** Growth

**Number of holdings:** 80 - 90

**Capitalization level:** Small - Mid cap



### Emerging Markets Manager Process

#### Characteristics:

- High price momentum
- EPS growth

### Manager profile:

UBS Global Asset Management, Inc. (UBS) was added to the Russell Emerging Markets Fund in 2007. Originally with another firm, the portfolio manager, Joseph Devine and his team moved to UBS in June 2007, as it is a larger firm with broader resources and a more supportive environment in which to implement the team's investment strategies.

The UBS organization provides numerous, dedicated non-U.S. equity analysts. The UBS international growth team comprises a focused group of experienced investment professionals, the core of which have worked together for more than 10 years. They have strong conviction in this process and have a strong team dynamic.

### Investment process:

The firm looks to add value with a bottom-up security selection process. The strategy focuses on companies that are domiciled or the majority of their business is based in an emerging market country as defined by MSCI.

This strategy seeks price and earnings momentum on the stock, sector, and country levels, combining top-down and bottom-up quantitative indicators with a qualitative overlay.

Securities are selected on the basis of relative price strength, improving fundamental characteristic and earnings revisions and earnings growth acceleration. The firm believes that this combination of indicators can be used to predict how stocks will perform in various markets. Although past performance cannot predict future results, this quantitative analysis is then validated through a fundamental research process to confirm the evaluation.

### Russell's manager analysis:

Russell has high confidence in the investment process of the UBS emerging growth team and believes this team has the necessary skills to select attractive opportunities. UBS is a large firm and has a well developed infrastructure which provides a strong platform for the team to implement its strategy effectively.

UBS is expected to do well in markets favoring earnings growth and where positive earning trends persist. It will struggle in value environments and when emerging markets volatility is high.

# Russell Emerging Markets Fund Manager Profile

## Arrowstreet Capital, L.P.

April 2012

### Firm background:

Arrowstreet Capital, L.P. is an asset management firm that provides global equity investment strategies to institutional investors.

**Headquarters:** Boston, MA

**Founded:** 1999

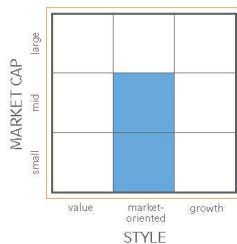
**Lead manager:** Ezra Levine

**Asset Class:** Emerging markets equity

**Investment style:** Market-Oriented

**Number of holdings:** 150-250

**Capitalization level:** Variable



### Emerging Markets Manager Process

#### Characteristics:

- High dividend yield
- High price momentum

### Manager profile:

Arrowstreet Capital, L.P. (Arrowstreet) was added to the Emerging Markets Fund in 2003. Arrowstreet is an aggressive core/market-oriented manager that uses a unique quantitative model utilizing a diversified range of factors, including momentum and valuation factors to identify attractive investment opportunities.

Ezra Levine has been the portfolio manager of this market-oriented strategy since 1999. He is supported by a team that he believes has demonstrated a high level of conceptual and practical investment insight in quantitative investing in emerging markets.

### Investment process:

Arrowstreet's investment approach is highly differentiated from peers, focusing on a rigorous quantitative process that integrates both a bottom-up and top-down investment process. This focus is supported by a strong fundamental research process. Its insights are derived from continuously evaluating both behavioral and informational sources of market inefficiencies and then using that information to implement the ideas in a highly disciplined manner.

Quantitative techniques are combined with risk estimates to generate return forecasts for each "country-sector basket." The investment team uses a structured approach to determine the relative attractiveness of each basket and each stock. The firm constructs portfolios by over-or underweighting "country-sector baskets," and then stocks, rather than by stock selection alone.

### Russell's manager analysis:

Russell has high confidence in Arrowstreet's investment process and believes it is a good complement to the other market-oriented managers. The firm balances the other growth and value managers in the fund.

Russell believes this manager will perform well in varied market environments, helped by a process that combines fast twitch shorter-term signals with longer-term fundamental valuation and momentum signals. That said, Russell expects this manager to struggle during transitional periods, where a strong value cycle changes quickly to favoring growth, or in extremely volatile market environments where no persistent trend is apparent.

# Russell Emerging Markets Fund Manager Profile

## Genesis Asset Managers, LLP

April 2012

### Firm background:

Genesis Asset Managers, LLP was established as a research-driven organization with the aim of providing institutional clients with excellent investment returns through a company-focused approach to investment in emerging markets.

**Headquarters:** London, England

**Founded:** 1989

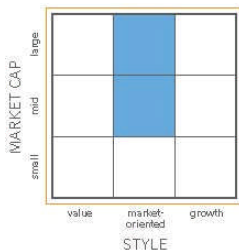
**Lead manager:** Andrew Elder

**Asset Class:** Emerging markets equity

**Investment style:** Market oriented

**Number of holdings:** 75-100

**Capitalization level:** Variable



### Emerging Markets Manager Process

#### Characteristics:

- High cash flow
- Growth
- Low forward price/earnings

### Manager profile:

Genesis Asset Managers, LLP (Genesis) was one of the original managers of the Russell Emerging Markets Fund since it launched in January 1993. Andrew Elder has been the portfolio manager of this bottom-up market-oriented strategy, leading a team-based approach since 2002. They seek long-term capital growth by identifying economies undergoing significant change and the firms that are able to exploit opportunities available to them.

Genesis believes that investing in emerging markets provides investors access to certain companies whose rates of profit growth may exceed those of similar companies in more developed markets in exchange for additional risk exposure. This opportunity, coupled with inefficient pricing of securities in emerging markets, leads Genesis to believe that superior investment returns may be attained in the asset class.

### Investment process:

Genesis uses a bottom-up, process that employs a “growth at the right price” investment style. Genesis aims to identify those companies capable of growing and which are most undervalued compared to their long-term potential. In addition, the inefficiency of securities pricing in Emerging Markets reinforces the case for stock-picking discipline.

The firm’s research process is predominately qualitative in nature. Among other things, its bottom-up analysis includes the review of a company’s financial position, projections of their five year growth rate of earnings, and solvency/liquidity. The portfolio is comprised of stocks in the firm’s universe it believes are most undervalued.

Similar to the country exposure, the sector and industry weights in a Genesis portfolio are a residual of the security selection process. In practice, the portfolios are widely diversified by sector/industry, but can be concentrated at times. Genesis views country factors as a stronger influence than sectoral factors when it comes to stock performance.

### Russell’s manager analysis:

Russell has high confidence in Genesis’s investment process. This stems from the investment team displaying a strong performance orientation and stock selection methodology.

Genesis is expected to outperform in a broad range of market environments but will tend to underperform in strong momentum driven markets.

# Russell Emerging Markets Fund Manager Profile

## Harding Loevner, LP

April 2012

### Firm background:

Harding Loevner, LP provides global equity investment management for institutional and individual investors, with the goal of providing superior returns with below-average risk.

In August 2009, Affiliated Managers Group (NYSE: AMG), an investment holding company, acquired a majority interest in Harding Loevner. The remaining interest is held by a broad group of Harding Loevner's professionals.

**Headquarters:** Somerville, NJ

**Founded:** 1998

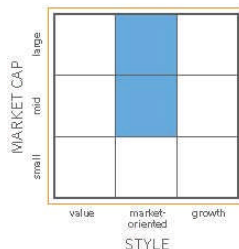
**Lead manager:** Rusty Johnson

**Asset Class:** Global equity

**Investment style:** Market-oriented

**Number of holdings:** 60-90

**Capitalization level:** Medium to large



### Emerging Markets Manager Process

#### Characteristics:

- High return on equity
- High price to book

### Manager profile:

Harding Loevner, LP (Harding Loevner) was added to the Russell Emerging Markets Fund in 2006. The market-oriented manager invests in quality, growth companies that may benefit from a sustainable, advantageous market positioning and have strong balance sheets. Rusty Johnson has managed the portfolio since inception in 1998.

Harding Loevner is majority owned by Affiliate Managers Group (AMG), although the firm shares some equity with the firms' professionals.

### Investment process:

Harding Loevner uses a bottom-up process that emphasizes rigorous fundamental company research. The firm believes that insights gained through the careful study of individual companies are more valuable than a top-down analysis. Harding Loevner invests in stocks of those companies that it regards as "high quality, growth companies." Harding Loevner believes these companies generally exhibit the potential for long-term growth, financial strength through strong cash flow and conservative balance sheets, and experienced management. Further, they are shown to have potential competitive advantages within industries that have favorable competitive dynamics.

Harding Loever focuses on companies it believes have the ability to continue to grow over the long term and it is not uncommon for the manager to evaluate a company's prospects over a five to seven year time horizon. Typically, at any one time, the firm closely follows approximately 150 of these companies and may build a portfolio of approximately 70-80 stocks that are diversified across the asset class by sector and country.

The portfolio is typically slightly below the benchmark in average market capitalization and exhibits characteristics consistent with the firm's focus on high-quality growth companies.

### Russell's manager analysis:

Russell has high confidence in Harding Loevner's investment process. Rusty Johnson has impressed Russell with his broad market knowledge and insight into Emerging Markets companies.

Harding Loevner is expected to outperform when higher quality stocks outperform, including times of economic stress, broad market decline, or when market performance is "choppy." It will likely underperform when cyclical factors have benefited those companies that could be described as deep value, such as low-quality, momentum-led rallies.

# Russell Emerging Markets Fund Manager Profile

## Victoria 1522 Investments, LP

April 2012

### Firm background:

Victoria 1522 Investments, LP is an investment firm that focuses exclusively on the emerging markets of Asia, Latin America, Europe, the Middle East, and Africa.

**Headquarters:** San Francisco, CA

**Founded:** 2007

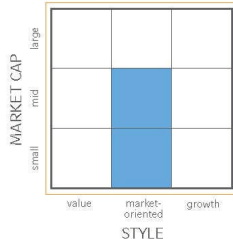
**Lead manager:** Josephine Jiménez

**Asset Class:** Emerging markets equity

**Investment style:** Market-oriented

**Number of holdings:** 30 – 60 securities

**Capitalization level:** All



### Emerging Markets Manager Process

#### Characteristics:

- Thematic

### Manager profile:

Victoria 1522 Investments, LP (Victoria 1522) was added to the Russell Emerging Markets Fund in 2011. The investment team is led by the founder and Chief Investment Officer, Josephine Jiménez.

Integrating macroeconomic analysis, theme development and sector/industry analysis and finally, company selection, the Victoria 1522 team invests in the stock of 30 to 60 companies that it believes have the greatest investment return potential in emerging markets countries.

### Investment process:

The firm's investment process uses a combination of macroeconomic analysis to identify major themes together with independent fundamental research and on-the ground investigation to pinpoint the companies that may benefit most from these themes. Attempting to anticipate trends well before they become consensus is the cornerstone of the strategy.

Country analysis is central to the investment process and is the starting point to determine where to focus its research attention. Country allocations are based on macroeconomic analysis and theme development, and are used to position the portfolio to seek to benefit from anticipated socio-economic and geo-political trends. The near-term outlook for GDP growth, inflation, real interest rates, currency, budget balance, along with market valuation and global events are some of the factors considered in Victoria 1522's subjective country decisions.

Victoria 1522 focuses on companies with dominant market shares, strong balance sheets, high cash-flow generation, and low debt. The firm pays particular attention to the quality of management and of the balance sheet. The outlook for pricing and volume trends in each business line, capacity expansion plans, and competitive position within the industry are central to the company evaluation process.

Victoria 1522 analyzes currency strength or weakness as part of the country analysis, and currency also plays a role in company evaluation and selection. Victoria 1522 believes that in this global economy, changes in exchange rates can meaningfully affect earnings.

### Russell's manager analysis:

Russell has high confidence in Victoria 1522. Josephine Jiménez is an experienced portfolio manager, supported by a team of five emerging markets specialists.

This product is thematic in nature. It will tend to perform well in a broad range of markets where its secular and tactical themes are rewarded and struggle in speculative, liquidity driven markets that ignore fundamentals.

# Russell Emerging Markets Fund Manager Profile

## AllianceBernstein, L.P.

April 2012

### Firm background:

AllianceBernstein L.P. is a leading global investment management firm that offers high-quality research and diversified investment services to institutional clients, individuals and private clients in major markets around the world.

**Headquarters:** New York, NY

**Founded:** 1967

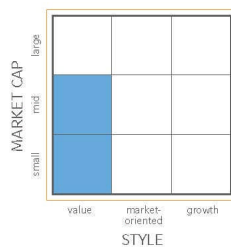
**Lead manager:** Henry D'Auria

**Asset Class:** Emerging markets equity

**Investment style:** Value

**Number of holdings:** 70-100

**Capitalization level:** Small – mid cap



### Emerging Markets Manager Process

#### Characteristics:

- Low price to earnings
- Low price to book

### Manager profile:

AllianceBernstein, L.P. (AllianceBernstein) was added to the Russell Emerging Markets Fund in 1999. The value-oriented product that Russell includes in the fund is created through a rigorous process that includes both fundamental research and quantitative tools. AllianceBernstein believes that by applying a disciplined value approach to emerging markets, it can provide superior long term results.

The investment leaders are long-term money managers. There have been only modest changes among the senior investment professionals in recent years. Henry D'Auria has been the Chief Investment Officer for emerging markets products since 2002.

### Investment process:

AllianceBernstein constructs portfolios from the bottom-up and exhibits both a value and a small/mid-capitalization bias. The firm selects securities based on a quantitative model which scores securities within countries, sectors and industries. Additional factors such as cash earnings are also introduced into the evaluation process. The quantitative evaluation reflects both global and local industry factors, as well as stock specific considerations.

Later in the process, AllianceBernstein devotes significant analytical resources to the evaluation of fundamentals. The fundamental research is idea-driven and is highly detailed and of high quality. Finally, price momentum, earnings estimate revisions and confidence in forecasts are considered with the goal of increasing the likelihood that securities selected will perform as expected.

### Russell's manager analysis:

Russell regards the investment approach to selecting countries and securities as robust and effective. Russell is confident in the breadth and depth of AllianceBernstein's investment team. This manager has been in the fund for more than 10 years, a longer tenure than most of the other managers currently used in this fund. The supporting research teams also are viewed favorably by Russell.

AllianceBernstein is expected to do well when value outperforms, particularly earnings-driven value. The firm will not do as well when growth dominates.

# Russell Emerging Markets Fund Manager Profile

## Delaware Management Company

April 2012

### Firm background:

Delaware Management Company is a wholly-owned subsidiary of Macquarie Group. The firm provides world-class asset management services and solutions for institutions and individuals.

**Headquarters:** Philadelphia, PA

**Founded:** 1929

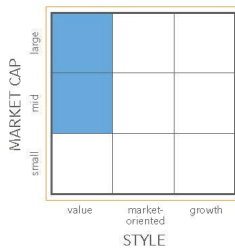
**Lead managers:** Liu-Er Chen

**Asset Class:** Emerging markets equity

**Investment style:** Value

**Number of holdings:** 90 – 100 securities

**Capitalization level:** Mid to large cap



### Emerging Markets Manager Process

#### Characteristics:

- Low P/E
- Low P/B
- Large Sector Positions
- Large Country Positions

### Manager profile:

Delaware Management Company (Delaware) was added to the Emerging Markets Fund in 2011. Liu-Er Chen is the portfolio manager of this strategy. The firm seeks to provide consistent investment returns utilizing a bottom-up, fundamental investment process that attempts to identify companies with sustainable business franchises, strong management teams, a supportive regulatory environment, financial strength, and minimal operational risks.

### Investment process:

Delaware combines active, bottom-up company research with top-down market analysis. The firm expects that the primary source of alpha over full-market cycles would be stock selection, which also drives their sector allocation and country allocation decisions. Currency valuations are also considered during the bottom-up fundamental company analysis.

Delaware's decision to invest in a stock is based on the stock's discount to intrinsic value. Delaware defines a company's intrinsic value as the discounted value of future cash flows. Its analysis emphasizes a company's ability to consistently earn returns above its cost of capital. The firm will only invest in a particular company after analyzing the structural determinants of an industry's and a company's future returns.

Country allocations are a residual of bottom-up security selection, although weightings relative to the benchmark are reviewed continuously as part of the firm's portfolio/risk monitoring process. It also recognizes that in certain emerging markets, macroeconomic factors/conditions can strongly influence prospects for individual enterprises. In such cases, country-level analysis becomes a more critical component to fundamental evaluation.

Currency analysis is an integral part of the stock valuation process, particularly to the extent that it may impact the intrinsic value of an enterprise. As such, currency valuation is an important input into investment decisions.

### Russell's manager analysis:

Russell has high confidence in Delaware. Liu-Er Chen is an experienced portfolio manager and the investment team follows an intrinsic value based approach to emerging market equities emphasizing value, but not at the expense of quality or growth.

Delaware is expected to do well when value outperforms and likely struggle in momentum driven and speculative market environments.

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.

Money managers listed are current as of 3/15/11. 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.

This document will be updated annually. If a manager change is made during a year, a manager specific page will be added or removed.

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.

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.

Middle capitalization (middle cap) investments involve stocks of companies generally having a market capitalization between \$2 billion and \$10 billion and considered more volatile than large cap companies. Mid cap investments are often considered to offer more growth potential than larger caps (but less than small caps) and less risk than small caps (but more than large caps).

Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between \$10 billion and \$200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Market-oriented investments are generally subject to risks similar to that of both growth and value style investing.

Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or, such stock may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

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

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

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

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

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