

Russell Tax-Managed U.S. Large Cap Fund

Money Manager Overview

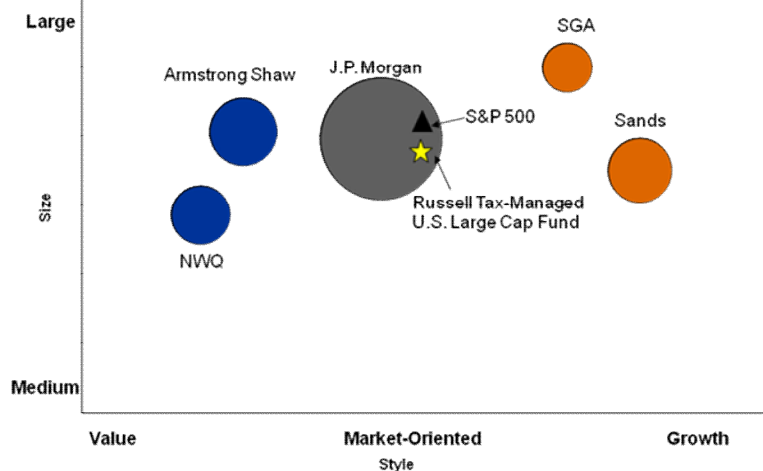
Russell's investment approach

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.

The fund

The managers in this fund are selected based on both the tax sensitivity of their investment approach and their stock selection abilities. Russell chooses managers that use many different investment styles, from ones that look for companies they believe have rapidly growing earnings to those that look for companies that are undervalued. Managers in this fund typically hold stocks over a longer investment horizon than in an average large-cap fund that is not tax managed, as long as a stock's fundamentals remain strong. As a result of this longer-term investment horizon, this approach typically reduces short-term capital gains, which should produce a more tax-efficient portfolio over time. The fund's benchmark is the S&P 500 Index.

Money manager mosaic (as of December 2011)



This mosaic depicts, at a specific point in time, the approximate relative weighting of managers within the fund plotted on the basis of 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

Robert Kuharic

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

- 18% Sands Capital Management, Inc.
- 14% Sustainable Growth Advisers, LP

Market-Oriented

- 32% J.P. Morgan Investment Management, Inc.

Value

- 19% Armstrong Shaw Associates, Inc.
- 17% NWQ Investment Management Company, LLC

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 Tax-Managed U.S. Large Cap Fund Manager Profile

Sands Capital Management, Inc.

December 2011

Firm background:

Sands Capital Management, Inc. is an independent investment management firm focused exclusively on portfolios of high quality growth companies. Clients include corporate pension plans, public plans, endowments, foundations, mutual funds, Taft-Hartley plans, family offices, and individuals.

Headquarters: Arlington, VA

Founded: 1992

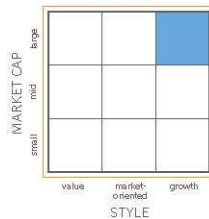
Lead manager: Frank Sands, Jr.

Asset Class: U.S. Equity

Investment style: Growth

Number of holdings: 20 - 30

Capitalization level: Large cap



Investment sub-styles used in the Russell Tax-Managed U.S. Large Cap Fund:

Growth: Thematic growth
 > **Long term consistent growth**
 High earnings growth

This manager uses the consistent growth substyle.

Manager profile:

Sands Capital Management, Inc. (Sands) was added to the Russell Tax-Managed U.S. Large Cap Fund in 2003. Frank Sands, Jr. leads this large cap growth manager assignment at Sands. Sands conducts an extensive bottom-up fundamental research process and concentrates on large capitalization growth stocks. The firm places stocks in client portfolios with a long-term commitment to the company's potential. This "buy to hold" philosophy is intended to result in low turnover and low transaction costs, and allow the firm to strive to capture long-term business opportunities over long periods of time.

Sands' portfolio is relatively small, generally 20-30 high quality growth companies from 10 to 15 growing industries with individual position sizes between 2% and 10% of the portfolio.

Investment process:

The firm seeks to identify and own stocks of growth companies that it believes will lead and dominate attractive growth industries. The investment team starts with fundamental analysis of leading companies and constructs a diversified portfolio of growth stocks that meet their selection criteria. Companies must have good prospects for above-average earnings growth and exhibit financial strength. Sands identifies a growing industry, which then prompts a review of the leading companies in that industry. Specifically, the firm is looking to identify leaders who it believes will demonstrate sustainable dominance of a growth industry by creating growth drivers through new products/services and by entering new markets and developing and anticipating important industry trends. Stocks that the firm believes demonstrate sustainable leadership and deliver long-term projected earnings growth at reasonable valuations are chosen and placed into portfolios.

The long time horizon of the stock selection process and concentrated portfolio allow the investment team to build a thorough knowledge of the portfolio holdings' revenue drivers, business models, and earnings leverage points. The research process also emphasizes developing a deep understanding of competitors to portfolio holdings.

Russell's manager analysis:

Russell holds a high opinion of the portfolio management team at Sands Capital. Frank Sands Jr. has a strong grounding in fundamental research and many years of experience as a portfolio decision-maker, backed by a deep research team and process.

Sands benchmark-relative returns are likely to be strongest when stocks of highly profitable, rapidly growing, and industry leading companies perform best. The portfolio may lag the benchmark when stocks of deeper value companies perform best. Benchmark-relative performance may also suffer in "flight to quality" markets favoring low beta, mega cap stocks.

Russell Tax-Managed U.S. Large Cap Fund Manager Profile

Sustainable Growth Advisers, LP

December 2011

Firm background:

Sustainable Growth Advisers, LP is wholly owned by its principals and staff, and provides investment advice to institutional and individual clients, private investment companies and mutual funds.

Headquarters: Stamford, CT

Founded: 2003

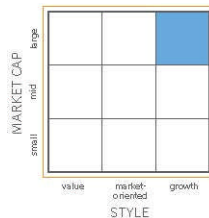
Lead manager: George Fraise, Gordon Marchand and Robert Rohn

Asset Class: U.S. Equity

Investment style: Growth

Number of holdings: 20-30

Capitalization level: Large cap



Investment sub-styles used in the Russell Tax-Managed U.S. Large Cap Fund:

Growth: Thematic growth
 > **Long term consistent growth**
 High earnings growth

This manager uses the consistent growth substyle.

Manager profile:

Sustainable Growth Advisers, LP (SGA) was added to the Russell Tax-Managed U.S. Large Cap Fund in 2011. SGA conducts an extensive bottom-up fundamental research process and thorough due diligence as part of its stock selection process. SGA believes it is possible to generate high relative returns with low relative risk by investing for the long term in the best businesses at reasonable prices. They focus on businesses that offer predictable, sustainable earnings and cash flow growth.

Investment process:

The firm seeks to identify those few businesses that it believes have predictable, sustainable earnings growth. SGA believes that specific characteristics increase the probability that a company will sustain growth with low business risk over the long-term. As a result, in order to be a viable purchase candidate for SGA, a company must have pricing power, repeat revenues, and global reach.

SGA seeks securities that it believes will sustain their prices at levels that consistently provide good profit margins and strong returns on invested capital. This is often associated with a strong franchise, a proprietary position, a low-cost position or a powerful brand. SGA also looks for companies whose products and services are used frequently and need to be replaced regularly. It believes that it is easier for a company to grow if it begins each year with a core constituency of loyal customers already in the habit of buying its products services. SGA believes these companies are more predictable and less vulnerable to fluctuations in economic activity, and many have demonstrated an ability to grow earnings through all economic cycles. Finally, companies with a global reach that are not limited to one particular region for growth, are also desirable to SGA. The firm believes these global companies have the ability to expand operations across borders because the products and services they provide have few inherent geographic or cultural limitations. SGA believes the long-term growth prospects are more sustainable for these companies because of the global scope of the market opportunity.

Russell's manager analysis:

Russell believes the SGA investment team is capable of identifying companies that will maintain strong competitive positions while generating high and consistent free cash flow. The consideration of valuation in the investment process should allow many of SGA's holdings to participate in multiple expansions while limiting the susceptibility to the negative side of mean reversion.

SGA will likely perform best during periods of decelerating economic growth and when high quality and/or low beta stocks are attractive to other investors. Conversely, we expect returns to be lower during periods of accelerating economic growth when stocks of lower quality growth companies and those with volatile earnings lead the index upward.

Russell Tax-Managed U.S. Large Cap Fund Manager Profile

J.P. Morgan Asset Management, Inc.

December 2011

Firm background:

J.P. Morgan Asset Management, Inc. is a leading asset manager for institutions, individuals and financial intermediaries, worldwide.

Headquarters: New York, NY

Founded: 1935

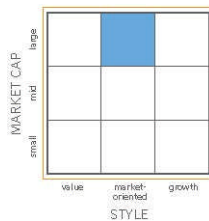
Lead manager: Raffaele Zingone

Asset Class: U.S. Equity

Investment style: Market-oriented

Number of holdings: 150 - 180

Capitalization level: Large cap



Investment sub-styles used in the Russell Tax-Managed U.S. Large Cap Fund:

Market-oriented: > **Core**

Growth biased

Value biased

Growth at a reasonable price

This manager uses the tax-managed core market-oriented sub-style.

Manager profile:

J.P. Morgan Asset Management (J.P. Morgan) was added to the Russell Tax-Managed U.S. Large Cap Fund in 1996. Raffaele Zingone leads this market-oriented manager assignment at J.P. Morgan. The firm's overall investment objective of the strategy is to outperform the S&P 500 Index.

Investment process:

The firm seeks to achieve investment results through stock selection grounded in their proprietary fundamental research and disciplined portfolio construction. Individual securities are ranked within industry sectors on the attractiveness of their valuations, using a dividend discount model. For each stock being reviewed, the firm makes bottom-up earnings and growth projections. The earnings estimates are then put into the dividend discount model together with current stock prices. The firm's model then computes a dividend discount rate for each stock, which is then used to rank securities across sectors.

After-tax management techniques are employed in the strategy to help neutralize the effect of taxes. When portfolio decisions are made that will generate tax liabilities, the portfolio construction process also looks to identify opportunities to harvest losses elsewhere in the portfolio to offset the tax impact.

Russell's manager analysis:

Russell has high confidence in J.P. Morgan, as the firm uses a highly disciplined approach to construct the portfolio. The portfolio manager provides a subjective overlay to optimization results and also incorporates tax management techniques into the decision-making process.

J.P. Morgan will likely perform best in market environments where long-term fundamental expectations are rewarded. The strategy is expected to be challenged in market environments driven by macro trends or periods during which valuations are largely ignored.

Russell Tax-Managed U.S. Large Cap Fund Manager Profile

Armstrong Shaw Associates, Inc.

December 2011

Firm background:

Armstrong Shaw Associates, Inc. is a registered investment advisor. They have been providing large cap equity management to institutions and individuals for 25 years.

Headquarters: New Canaan, CT

Founded: 1984

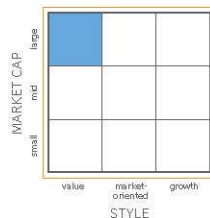
Lead manager: Jeffrey M. Shaw

Asset Class: U.S. Equities

Investment style: Value

Number of holdings: 30 - 40

Capitalization level: Large cap



Investment sub-styles used in the Russell Tax-Managed U.S. Large Cap Fund:

- Value:** Low price/earnings value
- > **Relative value**
 - High quality large cap value with yield emphasis
 - Deep value

This manager uses the relative value sub-style.

Manager profile:

Armstrong Shaw Associates Inc. (Armstrong Shaw) was added to the Russell Tax-Managed U.S. Large Cap Fund in 2007. Russell has been following this manager since 2003 and has also used it in other assignments within Russell's fund complexes. Jeffrey M. Shaw leads this large cap value manager assignment at Armstrong Shaw.

Investment process:

Armstrong Shaw's fundamental research focuses on evaluating the quality of a company's management and its ability to generate cash flow. The firm's bottom-up, fundamental investment process seeks to invest in companies that it believes are selling below their intrinsic value. Intrinsic value is defined as Armstrong Shaw's estimate of what a company would be worth if a knowledgeable buyer acquired it. The firm also looks for catalysts that may help drive stock price performance. These catalysts include: earnings shortfalls, legislative change, industry events, spin-offs, restructurings, and management changes. The firm typically invests in the largest 500 companies in the Russell1000[®] Value Index.

The emphasis on high quality in Armstrong Shaw's investment process has resulted in low turnover, making the firm's investment approach inherently tax-efficient.

Russell's manager analysis:

Russell has high confidence in Armstrong Shaw. Jeffrey M. Shaw is an insightful investor and capable leader of the investment team.

Armstrong Shaw is expected to perform well in markets that favor stocks with high return on equity and strong cash flow. Markets led by commodity-oriented stocks or the financial services sector, or more extreme defensive environments, will be most challenging for the firm, as portfolios tend to be consistently underweight in these areas.

Russell Tax-Managed U.S. Large Cap Fund Manager Profile

NWQ Investment Management Company, LLC

December 2011

Firm background:

NWQ Investment Management Company, LLC serves institutional investors such as corporations, endowments, foundations, high-net-worth individuals, multi-employer plans, and public entities. The firm is a subsidiary of Nuveen Investments.

Headquarters: Los Angeles, CA

Founded: 1982

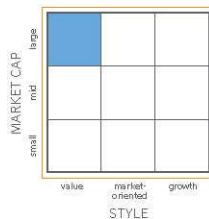
Lead manager: Jon Bosse

Asset Class: U.S. Equity

Investment style: Value

Number of holdings: 35 - 50

Capitalization level: Large cap



Investment sub-styles used in the Russell Tax-Managed U.S. Large Cap Fund:

Value: Low price/earnings value
> Relative value
 High quality large cap value
 Deep value

This manager uses the relative value sub-style.

Manager profile:

NWQ Investment Management Company, LLC (NWQ) was added to the Russell Tax-Managed U.S. Large Cap Fund in 2011. Jon Bosse, NWQ's Chief Investment Officer and Co-President, is the lead portfolio manager. The team of analysts supporting him provides a deep and broad level of research into the universe of companies available for this fund. Jon Bosse is the final decision-maker, although the entire investment team plays an important role in influencing the investment process.

Investment process:

NWQ uses an active approach to equity investing that emphasizes fundamental analysis and bottom-up stock selection. The investment process seeks attractive valuations, a level of downside protection, as well as identifiable catalysts that will drive capital appreciation and/or multiple expansion. The firm focuses on long-term investing, seeking companies it believes offer superior prospects while selling at reasonable price multiples. It looks for low expectation stocks that are overlooked by Wall Street and that it believes possess positive risk/reward characteristics. The team uses a relatively broad definition of value that provides them with a large universe of securities from which to choose. Due to this broad value orientation, it will invest in traditional value, intrinsic value, discount-to-asset value and special situations evaluated by non-traditional value criteria

The universe is reviewed and potentially revised on a quarterly basis and excludes stocks below \$5 billion in capitalization. The research team closely follows about 300 companies. These companies meet particular quantitative and qualitative valuation screens for specific sectors. Quantitative screens include price-to-cash flow, price-to-sales, price-to-earnings, price-to-book and earnings quality. Qualitatively, NWQ's researchers focus on management strength, corporate strategy, competitive position and shareholder value orientation.

Russell's manager analysis:

Russell believes that NWQ's investment team is deep and experienced. Russell believes that Jon Bosse, who implemented the firm's investment process in the 1990s, is an insightful investor and a strong leader of this investment team and process.

NWQ is expected to perform best when cyclical companies with relatively strong balance sheets are favored by the market. Conversely, it is more likely to lag when highly leveraged stocks and/or utilities outperform the broad market.

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. Please read the prospectus carefully before investing.

Money managers listed are current as of 12/20/11. 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.

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.

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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