

Russell U.S. Quantitative Equity Fund

Money Manager Overview

January 2012

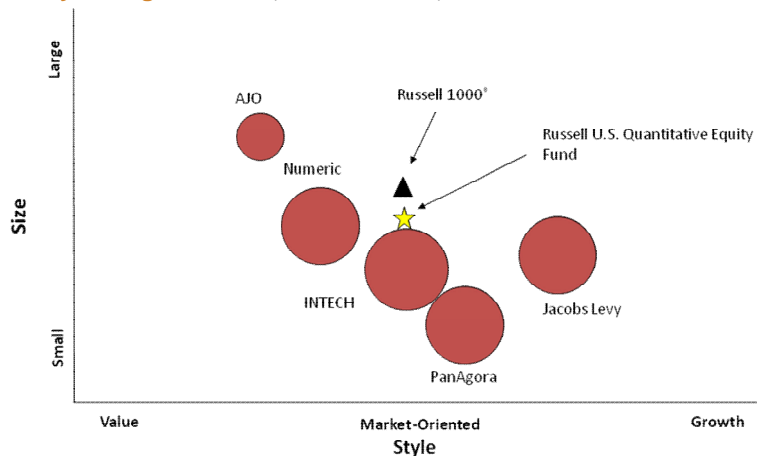
Russell's investment approach

Russell uses a multi-asset 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 Russell U.S. Quantitative Equity Fund intends to provide process diversification in the U.S. equity space. To achieve this, the fund's managers use a variety of quantitative investment models (mathematical formulas based on statistical analyses) and mathematical techniques to rank the relative attractiveness of securities. Quantitative managers attempt to find factors, patterns, characteristics and relationships that, over the long term, they believe represent a predictive indicator that a stock will increase in value (or in the case of a short position, stocks that will decrease in value). They then use quantitative portfolio construction techniques to create portfolios containing many securities that are based on these long-term predictive indicators. These portfolios are market-oriented in nature, rather than having a growth or value bias, and hold a large number of securities. The U.S. Quantitative Equity Fund's benchmark is the Russell 1000® Index.

Money manager mosaic (as of March 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

Richard Yasenchak

The Russell portfolio manager's role

The Russell portfolio manager is responsible for identifying and selecting the money managers 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:

Market-oriented

- 10% Aronson+Johnson+Ortiz, L.P.
- 24% INTECH Investment Management, LLC
- 22% Numeric Investors LLC
- 22% PanAgora Asset Management, Inc.
- 22% Jacobs Levy Equity Management, Inc.

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 U.S. Quantitative Equity Fund Manager Profile

Aronson+Johnson+Ortiz, L.P.

January 2012

Firm background:

Aronson+Johnson+Ortiz, L.P. is an independent, registered investment adviser founded in 1984, offering benchmark-relative and absolute-return strategies across the market cap spectrum of U.S. equities.

Headquarters: Philadelphia, PA

Founded: 1984

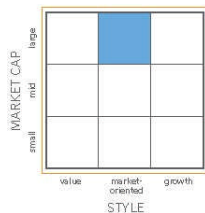
Lead Managers: Team of: Ted Aronson, Martha Ortiz, Stefani Cranston, Brian Wenzinger, Gina Moore, Chris Whitehead

Asset Class: U.S. Equity

Investment style: Market oriented

Number of holdings: 200 (approx. 150 long and 50 short)

Capitalization level: Large cap



Investment sub-styles used in the Russell U.S. Quantitative Equity Fund:

Market-oriented > Limited Long-Short

Long-only

This manager uses the limited long short sub-style.

Manager profile:

Russell added Aronson+Johnson+Ortiz, L.P. (AJO) to the Russell U.S. Quantitative Equity Fund in 2003 as a long-only manager. In 2007, its mandate was changed to a limited long-short or 130/30 strategy. This allows AJO to use insights gleaned from its quantitative process; it will be long those securities it expects to perform better than the fund's benchmark and short those securities it expects to underperform the benchmark.

The investment professionals at AJO are well-credentialed with a deep understanding of its quantitative process. Portfolios are managed by a team that includes the firm's portfolio managers, research analysts, and traders.

Investment process:

AJO's security selection process is quantitative in nature and focuses on multiple factors within the categories of value, management, and momentum. Russell believes the uncorrelated nature of these elements should result in a relatively consistent return pattern. The interaction between the security valuation, momentum and management factors creates an overall forecast that should enable AJO to enhance excess returns.

AJO selects stocks from a universe of seasoned, liquid, U.S.-listed large-cap stocks. Individual positions are selected by combining AJO's stock-by-stock estimates of future return with its forecast of risk and transaction costs. The portion of the Fund managed by AJO is fully invested, intended to be sector-neutral, and diversified in terms of industry, fundamental characteristics, and statistical measures of risk.

In addition, AJO believes transaction costs are higher and more complicated than understood by most market participants. Thus, it believes minimizing transaction costs is an essential element in exploiting opportunities and maximizing potential excess returns. The manager's portfolio turnover is significant.

Russell's manager analysis:

Russell views AJO as a high confidence manager. Russell believes AJO's ability to add value occurs because the structured nature of AJO's process makes it less likely its portfolio will benefit from, or be harmed by, macroeconomic influences. This can be of benefit in the implementation of the limited long-short strategy.

In general, AJO is expected to perform well when valuation and momentum are rewarded and struggle when they are not. AJO may perform slightly better in down markets that favor low beta stocks and valuation factors than in up markets. The momentum and management components of its model will potentially help in many growth markets.

In market environments favoring expensive stocks with high price momentum and negative or small forecast earnings, AJO's model will likely underperform.

Russell U.S. Quantitative Equity Fund Manager Profile

INTECH Investment Management, LLC

January 2012

Firm background:

Originally founded in 1987 by Dr. E. Robert Fernholz, INTECH Investment Management, LLC is an independently managed subsidiary of Janus Capital Group Inc.

Headquarters: West Palm Beach, FL

Founded: 1987

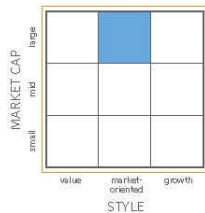
Lead manager: Adrian Banner

Asset Class: U.S. Equity

Investment style: Market oriented

Number of holdings: 300-900 (typically)

Capitalization level: Large cap



Investment sub-styles used in the Russell U.S. Quantitative Equity Fund:

Market-oriented > **Limited Long-Short**
Long-only

This manager uses the long-only sub-style.

Manager profile:

Russell has been following INTECH Investment Management, LLC (INTECH) since 1990, and added it to the Russell U.S. Quantitative Equity Fund in 2008. INTECH's active strategies are based on a mathematical theory formulated by the firm's founder, Dr. E. Robert Fernholz, and published in his 1982 paper titled "Stochastic Portfolio Theory and Stock Market Equilibrium." In that paper, he sought to demonstrate that by combining securities with high relative volatility but low correlations, a portfolio may be constructed to have both benchmark-like risk and the potential for above-market returns. INTECH has a team of seasoned investment professionals based in West Palm Beach, Florida; Princeton, New Jersey; and London, UK.

Investment process:

INTECH uses natural stock price volatility and correlation characteristics to attempt to generate excess return rather than picking individual stocks or forecast stock outperformance. In short, its process searches for stocks with high relative volatility and low correlation to build a portfolio that is intended to produce higher excess returns than that of the individual component stocks. A portfolio constructed of potentially more efficient weightings of stocks with a better expected correlation structure than the benchmark index has the potential to outperform the benchmark.

Russell's manager analysis:

Russell believes that INTECH is very different from the other managers in the Russell U.S. Quantitative Equity Fund in that its strategy doesn't attempt to identify those factors that will drive future price changes. Rather, its strategy attempts to benefit from the price changes themselves by identifying those stocks that are likely to have higher relative volatility than the benchmark.

The optimization process itself has an inherent bias toward stocks with higher relative volatility in that it is designed to identify and hold those stocks with above-average relative volatility. From an implementation perspective, this bias translates into persistent exposures to the mid and smaller sized stocks included in the fund's benchmark (Russell 1000® Index) as smaller market capitalization stocks tend to be more volatile than larger capitalization stocks. Therefore, this manager tends to do well in markets where smaller capitalization stocks are outperforming larger cap stocks.

The most unfavorable environment for this manager would be when mega cap stocks are consistently outperforming. Further, should individual relative stock volatility approach zero, generating incremental returns would be difficult for this manager.

Russell U.S. Quantitative Equity Fund Manager Profile

Numeric Investors, LLC

January 2012

Firm background:

Numeric Investors, LLC was founded in 1989. The firm is privately owned by several senior employees and a private equity partner. They offer long-only, 130/30 and market neutral portfolios to a select group of clients.

Headquarters: Boston, MA

Founded: 1989

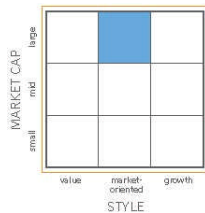
Lead managers: Arup Datta

Asset Class: U.S. Equity

Investment style: Market oriented

Number of holdings: 60-100

Capitalization level: Large cap



Investment sub-styles used in the Russell U.S. Quantitative Equity Fund:

Market-oriented > Limited Long-Short

Long-only

This manager uses the long-only sub-style.

Manager profile:

Russell has been following Numeric Investors, LLC (Numeric) since the early 1990s, and added them to the Russell U.S. Quantitative Equity Fund in 2009 in a long-only assignment.

Numeric is continually developing and enhancing innovative quantitative investment techniques based on fundamental investment principles. While it takes a quantitative approach to investing, fundamental and intuitive underpinnings are a prerequisite for all alpha signals. These signals are divided into two complementary sets of models that support their philosophy - Valuation and Information Flow. The models utilize disciplined risk-controlled techniques and have been applied consistently by Numeric since its founding. It commits significant research resources towards enhancing existing investment models and uncovering potential new sources of excess return. This expertise is paired with strong implementation capabilities giving careful consideration to the effects of trade size, trading venue and transaction costs.

Investment process:

Numeric is a quantitative manager. The firm's process emphasizes models that identify stocks it believes have attractive valuation and positive fundamental improvement. Numeric is differentiated from other managers in the fund in two areas. First, Numeric has a very strong quantitative research effort, which is based on a solid foundation of financial theory and investment experience. Numeric continuously works to identify and improve the factors included in its investment process. Second, Numeric's process includes a fundamental overlay that verifies the input data and checks the validity of the quantitative signal. When the model identifies a security, Numeric actively validates the data and ensures the firm is buying securities it actually wants to own; avoiding securities that appear attractive due to a data anomaly or one-time event.

Numeric's process consists of ranking stocks using a broad range of factors within its Valuation and Information Flow models, including: valuation, fundamental improvement, price momentum and quality analysis. While Numeric uses many individual factors, it generally is targeted at finding stocks it believes are selling at attractive valuations showing signs of fundamental improvement.

Russell's manager analysis:

Russell believes this firm will do well in market environments where valuation is important, but is supported by price and fundamental trends. This is primarily due to the models' focus on valuation and fundamentals. The manager may lag when the market is led by relatively expensive stocks with stable earnings, or stocks with deteriorating current fundamentals.

Russell U.S. Quantitative Equity Fund Manager Profile

PanAgora Asset Management, Inc.

January 2012

Firm background:

PanAgora Asset Management, Inc. is a premier quantitative global investment management firm with over 20 years of experience. The majority of the firm is owned by Putnam Investments.

Headquarters: Boston, MA

Founded: 1985

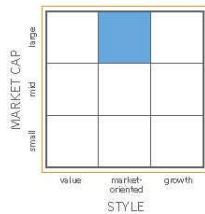
Lead manager: George Mussalli

Asset Class: U.S. Equity

Investment style: Market-oriented

Number of holdings: 80 - 120

Capitalization level: Large cap



Investment sub-styles used in the Russell U.S. Quantitative Equity Fund:

Market-oriented > Limited Long-Short

Long-only

This manager uses the long-only sub-style.

Manager profile:

PanAgora Asset Management, Inc. (PanAgora) was added to the Russell U.S. Quantitative Equity Fund in 2011. The firm has a strong quantitative research process that systematizes fundamental insight when constructing portfolios and seeks to do this through proprietary data sources.

Investment process:

PanAgora uses quantitative techniques to systematize fundamental insights when constructing portfolios. The investment process focuses on four themes in seeking to achieve this – external forces, industry-specific factors, market intelligence and management capability. Some factors apply to stocks in multiple industries, while other factors are specific to a particular industry.

The firm considers the information horizon for each of its factors, and therefore actively monitors which factors are driving changes in expected returns. They then incorporate this insight into their expectations for the decay rate and the potential payoff pattern for that specific factor. In our view, this consideration results in informed implementation decisions.

Russell's manager analysis:

Russell has high confidence in PanAgora. PanAgora's security selection process is differentiated from the quantitative processes used by the fund's other money managers in terms of its use of extensive proprietary data sources, and industry-specific variables within select industries. PanAgora generates research ideas by considering ways in which fundamental investors look at a particular sector or industry. We believe this approach to identifying factors is different than many of their peers and enhances the fund's process diversification.

PanAgora will likely perform best in markets that reward higher quality companies, and will be most challenged in markets driven by economic or thematic trends.

Russell U.S. Quantitative Equity Fund Manager Profile

Jacobs Levy Equity Management, Inc.

January 2012

Firm background:

Jacobs Levy Equity Management, Inc., founded in 1986, is an independent quantitative equity manager focused exclusively on U.S. equity portfolios.

Headquarters: Florham Park, NJ

Founded: 1986

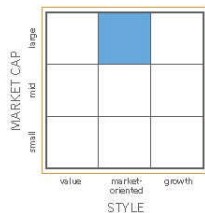
Lead managers: Bruce Jacobs, Ph.D. and Ken Levy, CFA

Asset Class: U.S. Equity

Investment style: Market oriented

Number of holdings: approximately 200 or more (150 long and 50 short)

Capitalization level: Large cap



Investment sub-styles used in the Russell U.S. Quantitative Equity Fund:

Market-oriented > Limited Long-Short
Long-only

This manager uses the limited long short sub-style.

Manager profile:

Russell has been following Jacobs Levy Equity Management, Inc. since 1989. A Jacobs Levy long-only mandate was first included in the Russell U.S. Quantitative Equity Fund in 2003, and was changed to a limited long-short, or 120/20, strategy in 2006.

Jacobs Levy uses a proprietary quantitative multidimensional investment approach to evaluate a broad universe of U.S. equities, including the stocks in the fund's benchmark. As a result, the firm has insights into which securities it considers to be attractive and which are unattractive. The manager overweights stocks expected to outperform, and underweights stocks expected to underperform. In the 120/20 strategy, the ability to short up to 20% of the portfolio permits more meaningful security underweights. This is expected to add value relative to a long-only assignment.

Bruce Jacobs Ph.D. and Ken Levy, CFA are responsible for the firm's quantitative investment process. They are supported by a team of highly experienced research professionals who are continually pursuing areas of potential enhancement to the process.

Investment process:

Jacobs Levy's investment approach is based on the belief that the market is a complex system and that intensive quantitative modeling combined with human insight and intuition is needed to identify and benefit from market inefficiencies. The cornerstone of this multidimensional approach is the proprietary process of "disentangling" return-predictor relationships. Disentangling evaluates stock attributes, industry affiliations, and market inefficiencies simultaneously, in a unified framework, separating each potential source of return from the background noise created by other factors. Jacobs Levy believes that the resulting additive "pure" effects provide far more reliable predictions of future stock price behavior than the "naïve" effects from simple single-factor analyses.

The firm's quantitative security valuation process entails sophisticated modeling of large numbers of stocks and proprietary factors using financial statement data, analyst forecasts, corporate management signals, economic releases, and security pricing. Modeling based on reasonable, intuitive relationships between factors and stock prices results in a multidimensional security selection system that can offer breadth of inquiry without sacrificing depth of analysis.

Russell's manager analysis:

Based on Russell's analysis, the Jacobs Levy portfolio is expected to outperform when the market favors valuation or momentum factors, and also when there is a low return correlation among similar securities. The portfolio is expected to underperform when the market is not rewarding fundamentals and valuation factors are out of favor.

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 3/15/2011. 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.

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.

In a limited long/short strategy, although the Fund potential for gain as a result of a short sale is limited to the price at which it sold the security short less the cost of borrowing the security, its potential for loss is theoretically unlimited because there is no limit to the cost of replacing the borrowed security. The Fund will realize a gain if the security declines in price between those dates. The making of short sales exposes the Fund to the risk of liability for the market value of the security that is sold (the amount of which liability increases as the market value of the underlying security increases), in addition to the costs associated with establishing, maintaining and closing out the short position.

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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