

Russell Strategic Bond Fund

Money Manager Overview

August 2011

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 money management firms that Russell researches and hires (subject to Fund Board approval), monitors and terminates on an ongoing basis.

The fund

The Russell Strategic Bond Fund provides access to a broad range of fixed income strategies, processes and securities. The fund provides exposure to a breadth of money manager expertise. The money managers in the fund may evaluate investment opportunities based on a macro-economic framework (top-down) or a security specific framework (bottom-up). Managers may use a quantitative process based security selection methodology, or a fundamental based security selection methodology. Managers also focus on fixed income risk management activities such as interest rate risk and yield curve management.

As a result of this diversity of strategies and processes, the fund holds a broad range of securities, including mortgage related securities (such as mortgage-backed securities and collateralized mortgage obligations), non-U.S. developed and emerging markets' debt, corporate debt, consumer credit debt (asset-backed securities), credit default swaps, high yield debt, and currency futures and forwards. The fund may have a significant exposure to mortgage-backed securities. The fund's benchmark is the Barclay's Capital U.S. Aggregate Bond Index.

Money manager skill set (as of March 2011)

Manager	Interest rate timing (duration/yield)	Mortgage-backed Securities	Corporate Bonds	High Yield Bonds	Emerging Market Debt	Currency
Goldman Sachs		•		•	•	•
PIMCO	•	•			•	•
Brookfield		•				
Logan Circle			•	•		
MetWest		•	•	•		

*See skill set definitions on page 7.



Russell portfolio manager

Gerard Fitzpatrick, CFA

The Russell portfolio manager's role

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

Professional asset management is more important in less efficient markets, such as the fixed income market. There are significantly more securities to choose from and the proliferation of new securities requires a deep understanding of this complex market. Russell can expand each money manager's mandate to purchase those new securities, ensuring managers with the right expertise and best grasp of these trends are positioned to invest in these opportunities. This can add significant value to the fund.

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 were addressed by the portfolio manager. Manager changes are also subject to approval by the fund's Board of Trustees.

Target allocation of assets:

Fully Discretionary

- 25% Goldman Sachs Asset Management, L.P.
- 21% Pacific Investment Management Company, LLC

Sector Rotation

- 7% Brookfield Investment Management, Inc. (former name: Hyperion Brookfield Asset Management, Inc.)
- 25% Logan Circle Partners, L.P.
- 22% Metropolitan West Asset Management, LLC

The above represents the fund assets that are allocated to money managers. The fund also maintains cash reserves, which is cash awaiting investment or held to meet redemption requests or pay expenses. The level of cash reserves may vary depending on market conditions.

Russell Strategic Bond Fund Manager Profile

Goldman Sachs Asset Management, L.P.

August 2011

Firm background:

Goldman Sachs Asset Management, L.P. is a subsidiary of the Goldman Sachs Group, Inc., a bank holding company that engages in investment banking, securities services, and investment management. Goldman, Sachs & Co. was founded in 1869.

Headquarters: New York, NY

Founded: Goldman, Sachs & Co. was founded in 1869, Goldman Sachs Asset Management, L.P. was founded in 1989.

Lead managers: Jonathan Beinler, Thomas Kenny, James Clark and Michael Swell

Asset Class: Fixed income

Focus*: Treasuries, agencies, mortgage-backed securities, investment grade corporate bonds, high yield bond, emerging markets debt and currency

Range of holdings: 150-300

*See definitions on page 7

Manager profile:

Russell added Goldman Sachs Asset Management, L.P. (Goldman) to the Russell Strategic Bond Fund in 2006.

Goldman's long investment history and global footprint has been able to develop and bring together deep and experienced investment professionals. Russell believes the fund benefits from Goldman's global perspective and robust risk controls.

Investment process:

Goldman is an active global fixed income manager that employs a distributed decision-making process to locate value across the broadest possible opportunity set. Its strategies combine both in-depth fundamental analysis (bottom-up) with quantitative and technical inputs (top-down). This structure is positioned to capture both long-term, strategic and short-term, tactical opportunities.

Goldman attempts to achieve consistent returns over the long term through a risk budgeting approach. It attributes its expected excess return targets by sector and sub-sector allocation, security selection and duration and yield curve positioning.

Russell's manager analysis:

Russell has been following this manager for more than 15 years.

Russell views Goldman as a large manager that tends to add most of its value via global macro-economic themes. Its portfolio is a mix of strategies including credit (investments that involve the use of bonds or derivatives that have corporate bond exposure), structured products (investments that involve the purchase or sale of residential or commercial mortgage-backed securities and/or various asset-backed securities), global (investment strategies that involve buying or selling securities that have exposure to factors influenced by factors outside the U.S.) and currency exposures.

Given Goldman's blend of both top-down and bottom-up strategies, it should perform reasonably well in normal or bull markets. Russell anticipates weak performance when risk is not rewarded.

Russell Strategic Bond Fund Manager Profile

Pacific Investment Management Company, LLC

August 2011

Firm background:

Pacific Investment Management Company, LLC was founded in 1971 as a subsidiary of Pacific Life Insurance Company. In 2000, PIMCO was acquired by Allianz SE.

Headquarters: Newport Beach, CA

Founded: 1971

Lead manager: Bill Gross

Asset Class: Core fixed income

Focus*: Mortgage-backed securities, duration and yield curve positioning, sector rotation, emerging market debt, and currency

Range of holdings: 500-800

*See definitions on page 7

Manager profile:

Russell has been following Pacific Investment Management Company, LLC (PIMCO) for more than 20 years, and the firm was added to the Russell Strategic Bond Fund in 1994. PIMCO is a top-down, macro-economic manager whose investment process is driven by longer-term factors and includes a global perspective. Within this framework, PIMCO also identifies relative-value opportunities through a bottom-up process. This combination of top-down, long-term investment horizon and bottom-up security selection is intended to complement the approach of other managers in the fund.

Bill Gross, the lead manager for this assignment, is well known as an insightful and discerning manager with an unmatched understanding of the markets and the variety of securities available in fixed income.

Investment process:

PIMCO typically purchases cash bonds, securitized products such as mortgage-backed securities, and derivatives (for example, futures, swaps, options). It also invests globally, assessing both developed and developing markets. This allows the fund to employ PIMCO's expertise and exposes the fund to non-U.S. securities. While corporate credit exposure is not a primary emphasis for PIMCO, at times its investment themes will result in investment in both investment grade and non-investment grade corporate exposure.

Russell's manager analysis:

PIMCO brings a global perspective to its investment process, evaluating securities in both developed and developing markets. When markets reward investors focused on macro-economic trends, PIMCO should outperform.

PIMCO should perform well when macro-economic investments are accurate. Investment outcomes will be affected by management of interest rates as well as positioning along the yield curve. Sector allocation will also be an important factor in this market.

PIMCO will underperform when its macroeconomic forecast is materially wrong, either from a timing perspective or a fundamental perspective.

Russell Strategic Bond Fund Manager Profile

Brookfield Investment Management, Inc.

August 2011

Firm background:

Brookfield Investment Management, Inc. was founded in 1989 and is a wholly owned subsidiary of Brookfield Asset Management.

Headquarters: New York, NY

Founded: 1989

Lead manager: Michelle Russell-Dowe

Asset Class: Fixed income

Focus*: Mortgage-backed securities

Range of holdings: 200-300

*See definitions on page 7

Manager profile:

Russell has been following Brookfield Investment Management, Inc. (Brookfield) (formerly named Hyperion Brookfield Asset Management, Inc.) for more than 10 years. Brookfield was added to the Russell Strategic Bond Fund in December 2007.

Brookfield is a small, mortgage-backed and asset-backed investment specialist. Its process tends to be credit intensive, rather than technical in nature. The investment team at Brookfield is very experienced, focusing on researching and buying securities that other managers avoid, such as subprime mortgages, with the goal of capitalizing on opportunities that other managers may not seize.

Investment process:

Brookfield specializes in structured products (asset-backed securities and mortgage-backed securities) with an investment philosophy that is predicated on relative value. The firm believes that with experienced investment professionals, a comprehensive analytical platform and a dedicated investment process that emphasizes security selection, it can successfully identify and capture relative value opportunities.

Brookfield's investment approach begins with the identification of fundamental and technical factors that are responsible for performance in each asset class or sub-sector. Once areas of opportunity are identified, the firm performs an in-depth security analysis to build portfolios. Investments will be made across the credit spectrum with an emphasis on securities that they believe present high yields and total return opportunities.

Russell's manager analysis:

Typically, Brookfield's portfolio is comprised of a mix of asset-backed, mortgage-backed and commercial mortgage-backed securities. Russell expects the firm to capitalize on its investment expertise and analytics to find value in out-of-favor sectors and securities. Because Brookfield will include many out-of-favor sectors and securities in its portfolio, Russell expects its portfolio to experience higher volatility and higher risk than other managers in the fund.

Brookfield will do well when structured product markets are responding to fundamentals. It will not do as well when these markets are driven by fear.

Russell Strategic Bond Fund Manager Profile

Logan Circle Partners, L.P.

August 2011

Firm background:

Logan Circle Partners, L.P. was founded in 2007 as a privately held partnership; in 2010 the firm was acquired by Fortress Investment Group. Logan Circle offers actively managed investment solutions across a broad spectrum of fixed income strategies that can be customized to meet clients' specific and unique objectives.

Headquarters: Philadelphia, PA

Founded: 2007

Lead manager: Andrew Kronschnabel

Asset Class: Fixed income

Focus*: Corporate bonds and high yield bonds

Range of holdings: 400-700

*See definitions on page 7

Manager profile:

While Logan Circle Partners, L.P. (Logan Circle) is a relatively new firm (founded in 2007) many of the investment professionals have worked as a team for several years, first at Conseco and then at Delaware Investments. This investment team has been responsible for managing assets of the Russell Strategic Bond Fund since 2002 (when the investment professionals were with another firm).

This small, nimble manager employs a decision making structure that allows it to add value via security selection. Russell views this manager as one of the most aggressive risk taking managers in the fund.

Investment process:

Logan Circle believes the fixed income markets are efficient with respect to interest rate risk, but regularly mis-price securities that are exposed to credit, prepayment and liquidity risks. To make use of these inefficiencies and provide investors with an opportunity for excess return, Logan Circle focuses on optimal security selection, emphasizes spread sectors, targets duration neutral portfolios and constructs portfolios with attractive risk/reward characteristics.

Typically, this manager tends to focus on credit (both investment and non-investment grade) and mortgage-backed securities. Interest rate and yield curve management investments are not significantly different than the benchmark. While derivative usage and global investment are less important in its process, those strategies are not completely absent.

Russell's manager analysis:

Logan Circle brings to the fund a bottom-up, issuer specific evaluation approach, which is intended to complement the top-down, macro economic processes of other managers in the fund. It finds value in out-of-favor sectors and securities.

Russell expects this manager will do well when idiosyncratic risk is rewarded, while weaker performance should be expected of this manager when macro-economic themes drive market performance. Given the aggressiveness of this manager, it will also likely underperform when risk is not rewarded.

Russell Strategic Bond Fund Manager Profile

Metropolitan West Asset Management, LLC

August 2011

Firm background:

Metropolitan West Asset Management, LLC was founded in 1996 in Los Angeles and was acquired by TCW in 2010. MetWest is an investment management firm focused exclusively on fixed income portfolio management.

Headquarters: Los Angeles, CA

Founded: 1996

Lead manager: Laird Landmann

Asset Class: Fixed income

Focus*: Corporate bonds, high yield bonds

Range of holdings: 300-500

*See skill set definitions on page 7

Manager profile:

Metropolitan West Asset Management, LLC (MetWest) was added to the Russell Strategic Bond Fund in 2008. Recently, the founding partners of the firm entered into a management buyout and now own the entire firm. Russell has been following this manager for more than 10 years.

This small manager has a decision making structure that allows it to make quick decisions that are focused on security selection across multiple sectors. While smaller than other managers in the fund, the experienced senior investment professionals and flexible process ensure MetWest complements the skills of the fund's other managers.

Investment process:

MetWest tends to focus on credit (both investment and non-investment grade) and mortgage-backed securities. Derivative usage, global investing, duration and yield curve management are less important to its investment process, but certainly not absent.

This manager attempts to achieve returns through active management via sector emphasis and issue selection. MetWest blends both macro-economic and bottom-up issue selection, but with a greater focus on issue selection.

Russell's manager analysis:

MetWest is active with their risk taking – at times taking more risk than other managers in the fund and at other times taking less risk. As a result, they provide additional risk management to the fund.

Russell expects this manager will do well when idiosyncratic risk is rewarded, while weaker performance should be expected of this manager when macro-economic themes drive market performance.

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.

***Manager skill sets definitions:**

Interest rate timing (duration/yield) – Interest rate timing anticipates the magnitude and direction of interest rates in both the U.S. and/or internationally.

Mortgage-backed securities – Mortgage-backed securities are bonds backed by a pool of mortgages. Investors receive payments out of the interest and principal of the underlying mortgages.

Corporate Bonds – Corporate bonds are debt obligations issued by a corporation.

High yield – Bonds that are ranked lower by ratings agencies because they have a relatively higher chance of default and therefore generally offer a higher yield in return for the higher risk, higher volatility and higher risk of default than investment grade bonds.

Emerging Market Debt – Emerging market debt (EMD) may include obligations of governments and corporations in countries with emerging markets.

Currency – Currency involves investing in foreign currencies with an expectation that the value of the currency will either rise or fall vs. the U.S. dollar.

Money managers listed are current as of 3/1/2011. 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.

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

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.

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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