

# Russell Short Duration Bond Fund

Return Opportunities for Short-Term Goals

## Investment Strategy

- Seeks to provide current income and preservation of capital with a focus on short-duration securities.
- Invests principally in high-quality short-duration securities.
- Invests in investment grade market sectors with tactical investments in non-investment grade sectors.

## Fund Highlights

- Focuses on bonds with durations of six months to three years, on average.
- Provides exposure to bonds with a higher return (and risk) potential than money market securities and less volatility than long-term bonds.
- Aims for higher yields by allowing managers to explore potentially higher returning sectors of the short duration bond market.
- To seek increased return, managers may employ aggressive sector rotation, which can increase the fund's risk profile.

## Sector Weightings<sup>1,2,\*</sup>

U.S. Government/Agency	19.2%
Investment Grade Credit	21.6%
High Yield	1.2%
Commercial Mortgage Backed	6.1%
Residential Mortgage Backed	40.2%
Asset Backed	8.5%
Emerging Markets Debt	5.2%
Non-U.S. Dollar/Foreign Exchange	0.0%
Net Cash & Equivalents	-1.8%
Other	-0.2%

<sup>1</sup> The Other sector includes pooled investment vehicles, certain derivatives, stocks, and other investments not falling within one of the other listed sectors.

<sup>2</sup> Data is as of 02/29/2012.

## About the Fund



Kevin Lo  
Russell Portfolio  
Manager

The Russell Short Duration Bond Fund is designed to provide risk-managed returns over a one- to three-year investment time horizon. The fund utilizes investment managers with varied investment strategies and styles that are intended to be complementary. This approach minimizes interest rate timing in favor of strategic rotation among fixed income sectors, such as investment grade corporates, asset- and mortgage-backed securities. It also allows for taking tactical positions in out-of-benchmark sectors such as high-yield corporates, emerging markets debt and non-U.S. dollar denominated bonds. Research on Russell's multi-manager approach indicates that this construction process may help enhance returns and reduce volatility.

## Allocation of Fund Assets

	Current Allocation	Year Assigned
<i>Fully Discretionary</i>		
Pacific Investment Management Company, LLC	60%	2000
<i>Sector Strategies</i>		
Logan Circle Partners, L.P.	40%	2007

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.

Money managers listed are current as of 03/31/2012. 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.

In general, when interest rates rise, the value of bonds held in the fund will decline. 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.

\*Sector allocations and credit quality exposures may not equal 100 percent as a result of the fund's use of certain financial instruments such as futures, forwards, options, swaps and when issued transactions or forward commitments. For more information see asterisk on other side.

**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.**

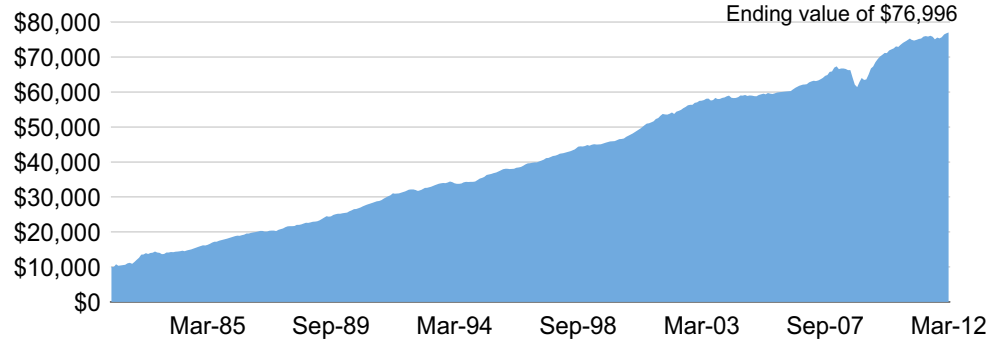
# Russell Short Duration Bond Fund

	Class A	Class C	Class E	Class S
CUSIP	782494801	782493340	782493332	782493506
TICKER	RSBTX	RSBCX	RSBEX	RFSBX

## Managing Money Differently

The Russell approach has been trusted for decades by many of the world's largest investors; our mutual funds allow you to employ that same approach. We identify investment managers we believe have exceptional capabilities, blend them to help manage risk through diversification, and constantly monitor them. Regardless of market conditions, Russell's investment approach remains constant.

## Growth of \$10,000 – Class S Shares (since inception)



## Characteristics

Total Net Assets – All Classes <sup>1</sup>	\$1.1B
Weighted Average Duration <sup>2</sup> – All Classes	2.5 yrs.
30-Day SEC Yield– Class Level	
Subsidized <sup>3</sup>	1.83%
Unsubsidized <sup>4</sup>	1.71%

<sup>1</sup> Data is as of 03/31/2012.

<sup>2</sup> Duration approximates the percentage change in the price of a bond or the value of a portfolio of bonds for every one percentage point shift in interest rates. Data is as of 02/29/2012.

<sup>3</sup> The fund's current yield for the 30-day period ending 03/31/2012.

<sup>4</sup> The yield shown is what the yield would have been without the current fee waivers and expense reimbursements (unsubsidized). For the period ending 03/31/2012.

## Quality Rating<sup>1,†,\*</sup>

### As a Percent of Market Value

AAA	24%
AA	46%
A	12%
BBB	10%
BB	1%
B	1%
CCC & Below	4%
Unrated	3%

<sup>1</sup> Data is as of 02/29/2012

## Performance Review

As of March 31, 2012

	Quarterly	Year to Date	Annualized				Since Inception <sup>1</sup>
			1 Year	3 Years	5 Years	10 Years	
Russell Short Duration Bond Fund † <sup>(a),(b)</sup> – Class S	1.75%	1.75%	2.29%	6.59%	4.09%	3.66%	6.94%
Annual Total Operating Expenses		0.76%					
Annual Net Operating Expenses		0.63%					

**Performance information is historical and does not guarantee future results. Investment return and principal value will fluctuate so that redeemed shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current to the most recent month-end performance for Russell mutual funds is available by visiting: [www.russell.com/us/fundperformance](http://www.russell.com/us/fundperformance).**

The fund offers other classes of shares with higher fees and expenses. These other classes may charge up to a 0.75% distribution fee and a 0.25% shareholder servicing fee which will result in a higher expense ratio and lower performance than that shown above. For a full description of other available classes, please see the prospectus.

†The Net Annual Operating Expense Ratio may be less than the Total Operating Expense Ratio and represents the actual expenses expected to be borne by shareholders after application of:

- (a) a contractual transfer agency fee waiver through February 28, 2013;
- (b) a contractual advisory fee waiver and/or reimbursement through February 28, 2013;
- (c) a contractual cap on expenses through February 28, 2013.

These contractual agreements may not be terminated during the relevant periods except at the Board of Trustees' discretion. Details of these agreements are in the current prospectus. Absent these reductions, the fund's return would have been lower.

<sup>1</sup> Fund inception date: 10/30/81.

Fund performance is reported net of fund advisory and administrative fees, and gross of financial intermediary fees.

\*The sum of the debt instrument quality ratings is based upon the Barclays Capital index methodology, which reflects the ratings of Moody's, Fitch and S&P in such a way that if three different ratings exist for the same instrument, the median rating is used; if two different ratings exist, the lower of the two is used and if only one rating exists, then that rating is used. If the debt instrument has not been rated by any of the three rating agencies, the security is classified as "Unrated."

\*Sector allocations and credit quality exposures may not equal 100 percent as a result of the fund's use of certain financial instruments such as futures, forwards, options, swaps and when issued transactions or forward commitments. Managers utilize these instruments as a substitute for holding securities directly, for hedging purposes, to take a net short position in certain markets or to adjust the interest rate sensitivity and duration of the portfolio. In the event short positions are created, they may be reflected as negative weightings in sector allocations and credit quality exposures.

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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Not FDIC Insured  
May Lose Value  
No Bank Guarantee