

Fund update



The value of active management

October 2020

At Russell Investments Canada Limited (“Russell Investments Canada”), we are committed to providing high conviction investment solutions utilizing a selection of the world’s leading investment managers, as a means to help Canadians pursue their desired investment outcomes. Changes have been made recently to the lineup of sub-advisers in **Russell Investments Yield Opportunities Pool** (the “Fund”).

We have added **Cohen & Steers Capital Management, Inc. (“Cohen & Steers”)** and **Oaktree Capital Management, L.P. (“Oaktree”)** as sub-advisers to the Fund. We have removed **First Eagle Alternative Credit, LLC (“First Eagle”)** as a sub-adviser to the Fund. We have also removed **Russell Investments Global Unconstrained Bond Pool** as a component of the Fund.

Overall investment strategies, risk parameters, and Fund characteristics will not materially change as a result of these changes. Russell Investments Canada believes these changes will support the excess return potential of the Fund.

Change rationale

The decision to remove First Eagle from the Fund was prompted by changes in the capital markets that has reduced the return potential of bank loans compared to other assets. Russell Investments believes it can obtain similar exposure to the risk/reward profile that First Eagle offered through bank loans by investing in high yield credit default swaps with lower cost and more efficient implementation.

The Russell Investments Global Unconstrained Bond Pool is being removed as a component of the Fund and the capital originally allocated to it will be deployed to sub-advisers in the Fund.

Cohen & Steers has been added to the Fund for its preferred securities strategy that focuses on income generation. Russell Investments believes the addition of Cohen & Steers will further diversify the income opportunities for the Fund. In addition, Russell Investments views the current market environment as an attractive entry point into the strategy as the yields on preferred securities are currently at attractive levels compared to both 10-year U.S. Treasuries and corporate bonds. In addition, bank capital levels are the highest in decades, supporting the fundamental characteristics of the preferred securities strategy.

Oaktree has been added to the Fund due to its potential to enhance returns through its focus on busted convertibles. Busted convertibles are convertible bonds – or bonds that can be converted into shares of the issuing company — for which the underlying equity is trading so far below the conversion price it is unlikely to reach that price before maturity. The performance profile of busted convertibles is similar to that of the U.S. high yield bond market.

RUSSELL INVESTMENTS RESEARCH VIEW – COHEN & STEERS CAPITAL MANAGEMENT, INC.

 COHEN & STEERS	
Location:	New York, New York
Founded:	1986
Portfolio manager:	Bill Scapell
Strategies:	Preferred securities

Cohen & Steers' preferred securities strategy focuses on income generation from investing in financial and non-financial firms' capital structured securities. The strategy is primarily allocated to diversified financials, utilities, energy, and pipeline companies, as well as exposure fixed income assets that are not generally included in benchmark fixed-income indexes. The investment process begins with selecting value securities for their fundamental and qualitative characteristics and then evaluating them based on the economic and market outlook. We believe this leads to a fairly diversified portfolio. Bill Scapell, who worked at the U.S. Federal Reserve and has valuable monetary policy experience, leads the strategy.

RUSSELL INVESTMENTS RESEARCH VIEW – OAKTREE CAPITAL MANAGEMENT, L.P.

 OAKTREE	
Location:	Los Angeles, California
Founded:	1995
Portfolio manager:	Andrew Watts
Strategies:	Convertibles

Russell Investments believes Oaktree offers a unique high-yield convertible debt strategy. As a “niche within a niche”, it provides the potential for attractive returns by investing in a lesser-known area of the fixed income marketplace. Convertible debt refers to bonds that can be converted into equity in the issuing company.

Oaktree applies a “buy low, sell high” mentality: it seeks to identify convertible debt securities that are trading below their investment value yet still offer potential equity upside. It also seeks convertible securities that have fewer equity-like characteristics and also potentially offer a yield higher than other bonds in the asset class.

Oaktree also offers a strong sell discipline and a nimble approach. The same portfolio management team has been running this strategy for other investment funds over more than 20 years.

New sub-adviser target weights

The percentages below represent the target allocation of the Fund's assets to each sub-adviser's strategy and Russell Investments' positioning strategies. This does not include liquidity reserves managed directly by Russell Investments, which may constitute up to 5% or more of Fund assets at any given time.

RUSSELL INVESTMENTS YIELD OPPORTUNITIES POOL

SUB-ADVISER	ROLE	PREVIOUS FUND WEIGHTS (%)	NEW FUND WEIGHTS (%)
Oaktree Capital Management, L.P.	Convertibles	0%	6%
First Eagle Alternative Credit, LLC	Bank loans	14%	0%
Putnam Investments Canada ULC	Fixed Income Opportunistic Strategy	4%	6%
Putnam Investments Canada ULC	Mortgages	6%	12%
Boston Partners Global Investors, Inc. (Non-discretionary)	U.S. small cap equity	6%	6%
Kopernik Global Investors, LLC (Non-discretionary)	Global equity	6%	6%
Sompo Asset Management Co., Ltd. (Non-discretionary)	Japan equity	6%	6%
Cohen & Steers Capital Management, Inc. (Non-discretionary)	Preferred securities	0%	10%
First Sentier Investors (Australia) IM Limited (Non-discretionary)	Global listed infrastructure	3%	3%
RREEF America LLC (Non-discretionary)	Global listed real estate	3%	3%
Berenberg Asset Management, LLC (Non-discretionary)	European equity	7%	7%
Russell Investment Management, LLC	Positioning strategy	6%	6%
Russell Investment Management, LLC	Tactical overlay*	29%	29%

Sub-advisers listed are current as of September 2020. Russell Investments has the right to engage or terminate a sub-adviser at any time and without notice. Numbers may not add to 100% as the chart does not include the impact of removing Russell Investments Global Unconstrained Bond Pool as a component of the fund.

**Includes option writing, leverage, high yield debt, currency, emerging markets debt*

Effect on Russell Investments Yield Opportunities Pool

Russell Investments has completed a thorough pro forma analysis of the Fund's structure incorporating the recommended manager change(s). Given the manager's role in the Funds, the Investment Division has determined the Funds' investment strategies, expected alpha, and risk parameters will not materially change. The addition of Cohen & Steers will result in a skew to diversified financials, but as noted above, this area offers good value for credit investors despite concerns about the potential impact of COVID-19 on that sector. The new strategies added entail a shift in credit risk within the Fund, namely moving from loans and high yield credit default swaps to convertibles and preferred securities. The Fund's overall investment objectives, strategies and principal risks will remain consistent with the Funds' description as it appears in the most recent prospectus.

For more information about Russell Investments Yield Opportunities Pool, please contact us at 1-888-509-1792 or by email at canada@russellinvestments.com.

Important information

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Nothing in this publication is intended to constitute legal, tax securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. This is a publication of Russell Investments Canada Limited and has been prepared solely for information purposes. It is made available on an "as is" basis. Russell Investments Canada Limited does not make any warranty or representation regarding the information.

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 a profit or protect against loss in declining markets.

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This fund is an alternative mutual fund and is offered under updated National Instrument 81-102 Investment Fund ("NI 81-102") rules. As such, some of the rules applicable to alternative mutual funds differ from conventional mutual funds; however, except to the extent they are given special treatment under NI 81-102, alternative mutual funds otherwise must follow the same rules as conventional mutual funds.

Positioning strategies are customized portfolios directly managed by Russell Investments for use within the total portfolio. Portfolio managers use positioning strategies to seek excess return and manage portfolio risks by targeting specific exposures. The Russell Investments positioning strategy allocation includes the Fund's liquidity reserve.

Russell Investments is the operating name of a group of companies under common management, including Russell Investments Canada Limited. Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates with minority stakes held by funds managed by Reverence Capital Partners and Russell Investments' management.

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