

# Quarterly Fund Review

2Q17

Russell Investment Company Funds (Class S)

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# Disclosures

***Fund objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling 800-787-7354 or by visiting <https://russellinvestments.com>. Please read a prospectus carefully before investing.***

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**HOW TO USE THIS REPORT:** Each fund contains four pages of information that are designed to be used together, with these disclosure pages. So, an investor in the Russell U.S. Core Equity Fund would receive the cover page, these disclosure pages and the four fund pages which contain a title page and three performance summary pages.

Money managers listed are current as of 6/30/2017. Subject to the Fund's Board approval, Russell Investments 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.

While the investment styles employed by the money managers are intended to be complementary, they may not in fact be complementary. A multi-manager approach could result in more exposure to certain types of securities and higher portfolio turnover.

\*\*\*\* Russell Investment Management, LLC (RIM) manages this portion of the Fund's assets to effect the Fund's investment strategies and/or to actively manage the Fund's overall exposures to seek to achieve the desired risk/return profile for the Fund. \*\*\*\*

† 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 or advisory fee waiver through February 28, 2018; (b) a contractual cap and reimbursement on expenses through February 28, 2018; These contractual agreements may not be terminated during the relevant periods except at the Board of Trustee's discretion; (c) a contractual agreement to permanently waive the advisory and administrative fees paid by the fund in an amount equal to the advisory and administrative fees paid by the Subsidiary. The contractual agreement may not be terminated. Details of these agreements are in the current prospectus. Absent these reductions, the Fund's return would have been lower.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

Mutual fund investing involves risk, principal loss is possible. 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.

Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

# Disclosures (continued)

Investments in small cap, micro cap, and companies with capitalization smaller than the Russell 2000® Index, are subject to the risks of common stocks, may experience considerable price fluctuations and are more volatile than large company stocks. Generally, the smaller the company size, the greater the risks.

Alternative strategies may be subject to risks related to equity securities; fixed income securities; non-U.S. and emerging markets securities; currency trading, which may involve instruments that have volatile prices, are illiquid or create economic leverage; commodity investments; illiquid securities; and derivatives, including futures, options, forwards and swaps.

Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

Investments in global equity may be significantly affected by political or economic conditions and regulatory requirements in a particular country. International markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Emerging or frontier markets involve exposure to economic structures that are generally less diverse and mature. The less developed the market, the riskier the security. Such securities may be less liquid and more volatile.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. An increase in volatility and default risk are inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, with exposure to sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall. Interest rates in the United States are at, or near, historic lows, which may increase a Fund's exposure to risks associated with rising rates. Investment in international and emerging market debt is subject to currency fluctuations and to economic and political risks.

Indexes and Benchmarks are unmanaged and cannot be invested in directly.

The following paragraphs correspond to indexes used in the accompanying pages:

The S&P 500® Index is an index, with dividends reinvested, of 500 issues representative of leading companies in the U.S. large cap securities market (representative sample of leading companies in leading industries).

The BofAML Global High Yield 2% Constrained Index (H0A0) is a commonly used benchmark index for high-yield corporate bonds. It is administered by Merrill Lynch. The Master II is a measure of the broad high yield market, unlike the Merrill Lynch BB/B Index, which excludes lower-rated securities.

# Disclosures (continued)

## **Important information**

For more information on Russell Investment Company funds, contact your investment professional or plan administrator for assistance.

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# RIC Multi-Asset Growth Strategy Fund

2Q2017 Performance Summary

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# RIC Multi-Asset Growth Strategy Fund

Performance Summary: Second Quarter 2017

## Investment Objective

The RIC Multi-Asset Growth Strategy Fund (“the Fund”) seeks to achieve equity-like returns over the long-term.

## Strategic Beliefs

**Design** – Translate objectives into a strategic asset allocation.

**Construct** – Access exposures through a combination of third party managers and positioning strategies.

**Manage** – Dynamically adjust to changing circumstances, markets, and third party managers.

## Fund positioning entering the quarter (versus Fund benchmark)

- › Russell Investments continued to operate the Fund as a risk-manager rather than risk-taker.
- › Relative to the strategic positioning, the Fund’s largest overweight was non-U.S. countries.
- › Russell Investments had extended the Fund’s underweight position in high yield and trimmed local currency emerging market debt.
- › The Fund remained modestly overweight USD and maintained an overweight to emerging markets currencies.

## Drivers of Performance

	2nd Qtr	YTD	Annualized Return				Since Inception	Inception Date	Annual Expenses	
			1 YR	3 YR	5 YR	10 YR			Total	Net
RIC Multi-Asset Growth Strategy Fund <sup>1,(b)</sup>	2.40%	---	---	---	---	---	3.22%	Mar-17	1.45%	1.08%
S&P 500 Total Return Index	3.09%	---	---	---	---	---	2.96%			

## QUARTERLY PERFORMANCE DRIVERS

Drivers	Impact <sup>1</sup>	Commentary <sup>1</sup>
Design	+	Global equities, credit, and core bond returned strongly, and the Fund benefited from rising global capital markets. One laggard was commodities as the asset class struggled.
Construct	+	Active managers led to outperformance from strategic allocation: <ul style="list-style-type: none"> <li>• Growth equity managers benefited from continued year-to-date outperformance over value managers. Strong security selection within the technology sector also contributed to performance within select global equity growth managers.</li> <li>• Value manager performance was mixed. Kopernik lagged the most, driven by an overweight to materials and energy sectors.</li> </ul>
Manage	+	Tactical asset allocation positions were additive for the quarter: <ul style="list-style-type: none"> <li>• Regional allocations including underweights to U.S., Australia and Canada were notable contributors.</li> <li>• Currency allocations such as underweight Korean Wan (KRW) and overweight Mexican Peso (MXN) paid off as well.</li> <li>• The underweight in real estate investment trusts (REITs) was also rewarded as interest rate sensitive equities underperformed the market in the period. The Fund’s underweight in commodities also was additive as commodities sold off.</li> <li>• Detractors included the U.S. equity underweight fund by a cash overweight and an overweight to bank loans.</li> </ul>

**There are no annual performance drivers, as the Fund was launched in March 2017 and does not have a full year of performance.**

1. Commentary and impact reflects contribution from drivers to the Fund’s performance relative to the index: + (contributed positively), Flat (marginal impact, within +/- 0.05%), – (detracted). Returns are for Class S shares at NAV <sup>†,(b)</sup> See Disclosures page (†) for discussion of Net Annual Operating Expense Ratios.

# RIC Multi-Asset Growth Strategy Fund

Performance Summary: Second Quarter 2017

ADVISOR	Alliance Bernstein L.P.‡	Kopernik Global Investors LLC‡	Levin Capital Strategies, L.P.‡	OFI Global Institutional, Inc.‡	Polaris Capital Management, LLC‡	RiverPark Advisors, LLC‡	Sustainable Growth Advisors, LP‡	Wellington Management Company LLP‡	Axiom International Investors LLC‡	Cohen & Steers Capital Management, Inc.‡	Colonial First State Asset Management (Australia) Limited‡	
Target Weight (%)	3.00%	3.00%	2.00%	3.00%	4.00%	2.00%	3.00%	3.00%	3.00%	6.00%	6.00%	
STYLE	Global Equity								Alternatives			
Quarter Performance vs. Fund Index <sup>1</sup>	+	-	-	+	+	+	+	+	+	+	+	
One Year Performance vs. Fund Index <sup>1</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	

  

ADVISOR	GLG LLC	Hermes Investment Management Limited	Oaktree Capital Management, L.P.	Putnam Investment Management, LLC	T. Rowe Price Associates, Inc.	THL Credit Advisors LLC	Russell Investment Management Company					
Target Weight (%)	7.00%	4.00%	6.00%	6.00%	10.00%	4.00%	6.00%	7.60%	3.80%	1.9%	2.85%	2.85%
STYLE	Fixed Income / Other						Positioning Strategies <sup>2</sup>					
Quarter Performance vs. Fund Index <sup>1</sup>	Flat	-	n/a	-	n/a	-	+	-	n/a	+	-	+
One Year Performance vs. Fund Index <sup>1</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

## Quarterly Commentary (versus Fund benchmark)

- › Growth equity managers benefited from the continued year-to-date outperformance over value managers. Notable contributors include Sustainable Growth Advisors, L.P. (“SGA”) and Wellington Management Company LLP (“Wellington”), which benefited from strong names within the technology sector.
- › Kopernik Global Investors LLC (“Kopernik”) – Kopernik lagged the most, driven by overweight positions to materials and energy sectors which faced challenges during the quarter.

‡ Russell Investments Management, LLC (“RIM”) manages this portion of the Fund's assets based upon model portfolios provided by the money managers.

1. Performance Key: + Positive impact; Flat fund and index return within +/- 25 basis points; – Negative impact relative to the Fund's benchmark: S&P 500 Total Return Index.

2. See Disclosure page (\*\*\*\*) for applicable footnotes.

# RIC Multi-Asset Growth Strategy Fund

Performance Summary: Second Quarter 2017

## Fund Updates

During the quarter, Oaktree Capital Management, L.P. (“Oaktree”) was added to the Fund. As of the end of the quarter, the funding of Oaktree’s strategy was still in progress. Oaktree’s return seeking fixed income product focuses on busted convertibles which, Russell Investments believes, tend to offer higher yields than equities and traditional convertibles. Russell Investments believes that the addition of Oaktree will potentially help enhance return perspectives and provide downside protection for the Fund.

After a successful run of spread narrowing, Russell Investments continued to trim the Fund’s credit risk. Russell Investments further extended the Fund’s underweight in high yield and reduced a longstanding overweight to local currency emerging market debt.

Within U.S. equities, the Fund harvested some returns from growth strategies after a good run.

Russell Investments also added an additional strategy to the Fund’s Active Positioning Strategies to try and dampen volatilities.

## Positioning and Outlook

- › At the end of the quarter, Russell Investments continued to actively manage risks in the Fund with the goal of providing downside protection while participating in market upside.
- › At the end of the quarter, the U.S. remained the Fund’s largest underweight, allowing room to overweight positions to Europe and emerging markets equities. Russell Investments believes Europe and emerging markets may continue to lead global growth as cyclical fundamentals improve, while U.S. growth may remain mediocre and valuation may remain expensive.
- › At the end of the quarter, the Fund continued to maintain its underweight to real estate investment trusts (REITs). Russell Investments believes that rising interest rates, real estate valuations and turning sentiment from yield investors may lead to underperformance versus other real assets.
- › At the end of the quarter, the Fund continued to overweight local currency emerging market debt for the potentially attractive yields on the back of improving emerging market fundamentals.
- › At the end of the quarter, the Fund remained underweight commodity producing countries (i.e. Australia and Canada). Additionally, the Fund was underweight commodities.

# RIC Multi-Strategy Income Fund\*

2Q2017 Performance Summary

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# RIC Multi-Strategy Income Fund

Performance Summary: Second Quarter 2017

## Investment Objective

The RIC Multi-Strategy Income Fund (“the Fund”) seeks to provide long-term capital growth.

## Strategic Beliefs

**Design** – Translate objectives into a strategic asset allocation.

**Construct** – Access exposures through a combination of third party managers and positioning strategies.

**Manage** – Dynamically adjust to changing circumstances, markets, and third party managers.

## Fund positioning entering the quarter (versus Fund benchmark)

- › Russell Investments continued to operate the Fund as a risk-manager rather than risk-taker.
- › Relative to the strategic positioning, the Fund’s largest overweight was non-U.S. countries.
- › Russell Investments had extended the Fund’s underweight position in high yield and trimmed local currency emerging market debt.
- › The Fund remained modestly overweight USD and maintained an overweight to emerging markets currencies.

## Drivers of Performance

	2nd Qtr	YTD	Annualized Return				Since Inception	Inception Date	Annual Expenses	
			1 YR	3 YR	5 YR	10 YR			Total	Net
<b>RIC Multi-Strategy Income Fund<sup>†,(a),(b)</sup></b>	<b>2.48%</b>	<b>6.30%</b>	<b>10.07%</b>	---	---	---	<b>4.14%</b>	<b>May-15</b>	<b>1.13%</b>	<b>0.86%</b>
BofAML Global High Yield 2% Constrained Index	2.08%	5.01%	12.37%	---	---	---	6.48%			

### QUARTERLY PERFORMANCE DRIVERS

Drivers	Impact <sup>1</sup>	Commentary <sup>1</sup>
Design	+	Global equities, credit, and core bond returned strongly, and the Fund benefited from the rising global capital markets.
Construct	-	Higher income strategies lagged broad markets such as growth managers on the back of strong technology sector returns. Defensive and higher income oriented managers struggled, driven by the overweight to materials and energy sectors.
Manage	+	Tactical asset allocation, including regional bets and currency bets, were additive for the quarter. The underweight in real estate investment trusts (REITs) was rewarded for the period.

### ANNUAL PERFORMANCE DRIVERS

Drivers	Impact <sup>1</sup>	Commentary <sup>1</sup>
Design	+	Global equities, credit, and core bond returned strongly, and the Fund benefited from the rising global capital markets.
Construct	+	Manager selection was positive, as DDJ and THL were strong contributors. DDJ was strong due to its overweight to lower credit quality bonds and strong issue selection. THL contributed due to its yield advantage and issue selection within the media sector.
Manage	+	Tactical tilts were additive, particularly an underweight in real estate investment trusts (REITs) and an overweight to financials.

1. Commentary and impact key reflects contribution from drivers to the Fund’s performance relative to the index: + (contributed positively), Flat (marginal impact, within +/- 0.05%), - (detracted). Returns are for Class S shares at NAV. <sup>†,(a),(b)</sup> See Disclosures page (†) for discussion of Net Annual Operating Expense Ratios.

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. The most recent month-end performance for Russell Investments mutual funds is available by visiting: <https://russellinvestments.com/us/funds/performance-prices>.

# RIC Multi-Strategy Income Fund

Performance Summary: Second Quarter 2017

ADVISOR	JO Hambro Capital Management Limited (Non-Discretionary)	Kopernik Global Investors, LLC (Non-Discretionary)	Perkins Investment Management, LLC (Non-Discretionary)	Cohen & Steers Capital Management, Inc - Global Property Securities	Cohen & Steers Capital Management, Inc - Listed Infrastructure	Putnam Investment Management, LLC
Target Weight (%)	7.0%	3.0%	11.0%	5.0%	5.0%	5.0%
STYLE	Global Equity			Real Assets		Generalist
Quarter Performance vs. Fund Index <sup>1</sup>	+	-	+	+	+	-
One Year Performance vs. Fund Index <sup>1</sup>	n/a	n/a	+	-	+	n/a

ADVISOR	Cohen & Steers Capital Management, Inc. - Preferred Securities	DDJ Capital Management, LLC	GLG, LLC	Oaktree Capital Management, L.P.	THL Credit Advisors, LLC	T. Rowe Price Associates, Inc.	Russell Investment Management, LLC
Target Weight (%)	4.0%	8.0%	10.0%	6.0%	14.0%	11.0%	11.0%
STYLE	Fixed Income						Positioning Strategies <sup>2</sup>
Quarter Performance vs. Fund Index <sup>1</sup>	+	-	n/a	n/a	-	n/a	Flat
One Year Performance vs. Fund Index <sup>1</sup>	-	+	n/a	n/a	-	n/a	+

## Quarterly Commentary (versus Fund benchmark)

- › JO Hambro Capital Management Limited (“JO Hambro”) was the biggest contributor this quarter, mostly benefiting from overweight positions in European financials as the sector benefitted from recent deals to resolve or liquidate several weaker banks in the region.
- › Kopernik Global Investors, LLC (“Kopernik”) was the worst performing manager relative to the Fund index. Higher income strategies lagged broad markets such as growth managers on the back of strong technology sector returns. Defensive and higher income oriented managers such as Kopernik struggled, driven by overweights to materials and energy sectors which faced challenges during the quarter.
- › Positioning strategy performance was flat for the quarter. A defensive bias was challenged during the period, but exposure to the growth factor helped as growth continued its strong year-to-date performance.

1. Performance Key: + Positive impact; Flat fund and index return within +/- 25 basis points; – Negative impact relative to the Fund’s benchmark: MSIF Composite SAA Index.

2. See Disclosures page (\*\*\*\*) for discussion of positioning strategies.

# RIC Multi-Strategy Income Fund

Performance Summary: Second Quarter 2017

## Fund Positioning<sup>1</sup>



— Current Position

## Fund Updates

Key changes during the quarter include the following:

- › GLG LLC (“GLG”) and T. Rowe Price Associates, Inc. (“T. Rowe”) were added to the Fund lineup during the first quarter of 2017, however the transition was not completed until April 4th, 2017. As such, both managers were not funded on June 30, 2017 and did not contribute to Fund performance for the quarter.
- › During the quarter, Oaktree Capital Management (“Oaktree”) was added to the Fund. As of the end of the quarter, the funding of Oaktree’s strategy was still in progress. Oaktree’s strategy is a return seeking fixed income product that focuses on busted convertibles, which Russell Investments believes tend to offer higher yields than equities and traditional convertibles. Russell Investments believes that adding Oaktree will help enhance return perspectives and provide potential downside protection for the Fund.
- › After a successful run of spread narrowing, Russell Investments continued to trim credit risk. Russell Investments further extended an underweight in high yield, and reduced a longstanding overweight to local currency emerging market debt.
- › Within U.S. equities, the Fund has harvested some returns from growth strategies after a good run. Russell Investments allocated to the Fund’s Active Positioning Strategies to try and help dampen volatilities.

## Positioning and Outlook

- › At the end of the quarter, Russell Investments continued to actively manage risks in the Fund with the goal of providing downside protection while participating in market upside.
- › At the end of the quarter, the U.S. remained the Fund’s largest underweight, allowing room to overweight positions to Europe and emerging markets equities. Russell Investments believes Europe and emerging markets may continue to lead global growth as cyclical fundamentals improve, while U.S. growth may remain mediocre and valuation may remain expensive.
- › At the end of the quarter, the Fund continued to maintain its underweight to real estate investment trusts (REITs). Russell Investments believes that rising interest rates, real estate valuations and turning sentiment from yield investors may lead to underperformance versus other real assets.
- › At the end of the quarter, the Fund continued to overweight local currency emerging market debt for the potentially attractive yields on the back of improving emerging market fundamentals.
- › At the end of the quarter, the Fund remained underweight commodity producing countries (i.e. Australia and Canada). Additionally, the Fund was underweight commodities.

1. Positioning relative to the Fund’s index as of June 30, 2017.