

# Russell Investment Grade Bond Fund

## Portfolio Manager

Keith Brakebill, CFA

Class	CUSIP	Ticker
Class S	782494835	RFATX
Class I	782493407	RFASX
Class A	782494322	RFAAX
Class C	782494827	RFACX
Class E	782493183	RFAEX

Total net assets (all classes)<sup>§</sup>:  
**\$1.16B**

Weighted average duration<sup>#, \*</sup>:  
**5.18**

Weighted average maturity<sup>#, \*</sup>:  
**8.8**

Net asset value<sup>§</sup>: **\$22.45**

Fund inception date: **10/15/1981**

## Investment strategy

The Investment Grade Bond Fund seeks to provide current income and the preservation of capital. The Fund principally invests in investment grade quality bonds.

### Fund facts - class level

3 year Sharpe ratio<sup>§, \*</sup>: **0.96**

3 year Standard deviation<sup>§, \*</sup>: **3.23**

3 year Alpha<sup>§, \*</sup>: **0.00**

3 year Beta<sup>§, \*</sup>: **0.96**

3 year R-squared<sup>§, \*</sup>: **96.89**

<sup>§</sup> Data as of 06/30/2016

<sup>#</sup> Data as of 05/31/2016

\* See key terms on page two.

Calculations are based upon the Fund's benchmark as stated in the prospectus.

## Performance review as of June 30, 2016

	Quarterly	Year to date	Annualized				
			1 year	3 years	5 years	10 years	Since inception
Russell Investment Grade Bond Fund – Class S <sup>1</sup>	2.44%	5.33%	6.07%	4.04%	3.69%	5.21%	8.08%
Annual Total Operating Expenses: 0.56%			Annual Net Operating Expenses: 0.56%				
30 day SEC yield - Class Level	Subsidized: 1.84% <sup>2</sup>		Unsubsidized: 1.84% <sup>3</sup>				

For periods prior to April 1, 1995, Fund performance results are reported gross of advisory and administrative fees. For periods thereafter, performance results are reported net of investment advisory and administrative fees, but gross of financial intermediary fees. Had these fees been reflected, the Fund's performance would have been negatively affected (lower).

<sup>1</sup> The Fund first issued Class S Shares on October 27, 2007. The returns shown for Class S prior to that date are the returns of the Fund's Class I Shares.

<sup>2</sup> The Fund's current yield for the 30-day period ending 06/30/2016.

<sup>3</sup> The yield shown is what the yield would have been without the current fee waivers and expense reimbursements (unsubsidized), for the period ending 06/30/2016.

## Annual returns

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
4.18%	6.17%	-2.92%	14.78%	8.57%	5.97%	6.24%	-2.39%	5.94%	0.51%

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: [www.russellinvestments.com/us/fundperformance](http://www.russellinvestments.com/us/fundperformance).

## Sector weightings<sup>^, 1, 2</sup>

Sector	Weight
Investment Grade Credit	33.3%
Developed Govt/Govt-Related	28.0%
Residential Mortgage Backed	23.8%
Asset Backed	8.7%
Commercial Mortgage Backed	4.4%
Uncategorized	3.6%
Emerging Markets Debt	1.2%
High Yield	0.5%
Derivatives	-0.1%
Net Cash & Equivalents	-3.3%

<sup>1</sup> Data as of 05/31/2016

<sup>2</sup> Due to rounding, totals may not equal to 100%.

## Quality rating<sup>^, 1, 2</sup> (as a percentage of market value)

	Percentage
AAA	56%
AA	7%
A	13%
BBB	19%
BB	0%
B	0%
CCC & below	0%
Unrated	4%

<sup>1</sup> Data as of 05/31/2016

<sup>2</sup> The sum of the debt instrument quality ratings is based upon the Barclays 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.'

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.

**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 [www.russellinvestments.com](http://www.russellinvestments.com). Please read a prospectus carefully before investing.**

# Russell Investment Grade Bond Fund (continued)

## Target allocation of fund assets

The percentages below represent the target allocation of the Fund's assets to each money manager's strategy and Russell Investment Management Company's strategy. This does not include liquidity reserves managed directly by Russell Investments, which may constitute 5% or more of Fund assets at any given time.

	Style	Target allocation	Year assigned
Logan Circle Partners, L.P.	Generalist	27.0%	2011
Loomis, Sayles & Company, L.P.	Generalist	20.0%	2014
Metropolitan West Asset Management, LLC	Generalist	18.0%	2008
Neuberger Berman Investment Advisers LLC	Generalist	25.0%	1989
Russell Investment Management Company (RIMCo)*	N/A	10.0%	2014

Money managers listed are current as of June 30, 2016. 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.

Bond investors should carefully consider risks such as interest rate, credit, default and duration 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 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 non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

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

The Fund may invest in derivatives, including futures, options, forwards and swaps. Investments in derivatives may cause the Fund's losses to be greater than if it invests only in conventional securities and can cause the Fund to be more volatile. Derivatives involve risks different from, or possibly greater than, the risks associated with other investments. The Fund's use of derivatives may cause the Fund's investment returns to be impacted by the performance of securities the Fund does not own and result in the Fund's total investment exposure exceeding the value of its portfolio.

Use of currency strategies may adversely impact a Fund's ability to meet its investment objective of seeking to provide current income.

<sup>^</sup> Sector allocations and credit quality exposures may not equal to 100 percent as the 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.

\* Russell Investments 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.

\*\* Macro Currency Group is an Investment Group within Principal Global Investors.

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.

## KEY TERMS:

**Alpha** - shows how a Fund did relative to what would have been expected given the Fund's Beta and the performance of the Fund's benchmark. For example, an alpha of 1.4 means that the Fund outperformed its estimated return by 1.4%.

**Beta** - a measure of the Fund's sensitivity to market changes using the Fund's benchmark as an approximation of the market; beta greater than 1 is more volatile than the market; beta less than 1 is less volatile than the market.

**Standard deviation** - defines how widely returns varied from a daily average over a given period of time. A higher standard deviation means a more volatile Fund. For example, a Fund with a standard deviation of 6 and an average annual return of 10% saw annualized monthly returns fall within 6 percentage points of that average (or between 4% and 16%) two-thirds of the time.

**Sharpe ratio** - a calculation that reflects the reward per each unit of risk in a portfolio. The higher the ratio, the better the Fund's risk-adjusted return.

**R-squared** - a statistic that indicates how much a Fund's fluctuations were attributable to movements in the Fund's benchmark.

**Weighted average 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.

**Weighted average maturity** - the weighted average of the remaining terms to maturity of bonds held by the Fund.

## Important Information

For more information on Russell Investments Funds, contact your investment professional or plan administrator for assistance.

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