

Fund Updates

Effective June 7, 2018, changes will be implemented for five Russell Investment Company Funds.

The value of active management

We are committed to providing highest conviction investing through an increasingly discriminating list of managers to help investors reach their desired investment outcomes. As a result of our ongoing manager research and deep portfolio review process, our Portfolio Managers have identified changes to certain funds, effective June 7, 2018.

Changes are occurring in the following Russell Investment Company (RIC) Funds:

- › U.S. Strategic Equity Fund
- › Investment Grade Bond Fund
- › Tax-Managed U.S. Large Cap Fund
- › Tax-Managed U.S. Mid & Small Cap Fund
- › Tax-Managed International Equity Fund

Unless otherwise noted, investment objectives, risk parameters and fund portfolio characteristics will not materially change as a result of these changes.

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U.S. Strategic Equity Fund

The Russell Investments portfolio managers, Kevin Divney and James Barber, recently made changes in an effort to:

- › Improve the excess return potential of the Fund by reallocating assets to more concentrated, higher conviction money managers.

While each of the terminated money managers remain positively viewed, Russell Investments has higher conviction in the excess return potential of the new manager lineup. By combining less-correlated managers with distinct sub-styles and with continued use of Russell Investments' positioning strategy, Russell Investments will gain more flexibility to align the Fund with Russell Investments' strategic beliefs and preferred positioning.

Terminated money manager: AJO, LP

- › Originally introduced into the Fund in 2012
- › Targeted number of holdings: 200 (approximately 150 long and 50 short)

Terminated money manager: Barrow, Hanley, Mewhinney & Strauss, LLC

- › Originally introduced into the Fund in 2013
- › Targeted number of holdings: 35-40

Terminated money manager: William Blair Investment Management, LLC

- › Originally introduced into the Fund in 2016
- › Targeted number of holdings: 35-45

New money manager: HS Management Partners, LLC

Firm background:

- › Firm headquarters is in New York, NY
- › Lead manager is Harry Segalas

The manager's intended role in the Fund:

- › HS Management provides the Fund with concentrated large cap, consistent growth exposure. HS Management's strategy generally invests in stock of companies it believes has attractive valuations that exhibit sustainable earnings and free cash flow growth.
- › Targeted number of holdings: 20-25

Russell Investments' analysis of the manager:

- › Russell Investments has strong conviction in the broad experience and knowledge base of HS Management's senior investment team that is led by their Chief Investment Officer, Harry Segalas.
- › Russell Investments believes HS Management's strategy is differentiated by robust idea generation and greater valuation emphasis than most consistent growth managers.

What is the impact on the Fund structure as a result of this change?

The Fund's expense ratio as stated in the current prospectus will not change. Fund assets have been reallocated.

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

U.S. Strategic Equity Fund

| MANAGER | ROLE | PREVIOUS TARGET WEIGHT | CURRENT TARGET WEIGHT |
|---|----------------------|------------------------|-----------------------|
| AJO, LP | Dynamic | 8% | 0% |
| Barrow, Hanley, Mewhinney & Strauss, LLC | Value | 15% | 0% |
| Brandywine Global Investment Management, LLC* | Value | 7% | 17.5% |
| HS Management Partners, LLC* | Growth | 0% | 17.5% |
| Jacobs Levy Equity Management, Inc. | Market-Oriented | 17% | 17.5% |
| Suffolk Capital Management, LLC* | Growth | 7% | 17.5% |
| William Blair Investment Management, LLC | Growth | 16% | 0% |
| Russell Investment Management, LLC ("RIM")** | Positioning strategy | 30% | 30% |

*Indicated managers are non-discretionary managers. RIM manages these portions of the Fund's assets based upon model portfolio provided by the managers.

**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. Positioning strategies are used to seek excess return and manage portfolio risks by targeting specific exposures. These strategies are used in conjunction with allocations to third-party managers to fully reflect Russell Investments' strategic and dynamic views with integrated liquidity and risk management.

Investment Grade Bond Fund

The Russell Investments portfolio manager, Keith Brakebill, recently made changes in an effort to:

- › Improve the excess return potential of the Fund by focusing a greater allocation to the two sector specialists—Logan Circle (credit focus) and Schroder (mortgage focus).

To maintain the desired overall positioning of the Fund, Russell Investments will increase the allocation to its internally-managed positioning strategies. This will allow RIM to maintain the appropriate fund level risk controls, managing for interest rate and credit risk, while increasing the allocations to Logan Circle and Schroder. In addition, the increase in positioning strategies allows for ongoing exposure to currency and real yield strategies, which may provide diversification, as well as added potential return opportunities in the current bond market environment.

Terminated money manager: Neuberger Berman Investment Advisers LLC

- › Originally introduced into the Fund in 1989
- › Targeted number of holdings: 200-400

Terminated money manager: Loomis, Sayles & Company, L.P.

- › Originally introduced into the Fund in 2014
- › Targeted number of holdings: 150-300

What is the impact on the fund structure as a result of this change?

The Fund's expense ratio as stated in the current prospectus will not change. Fund assets have been reallocated.

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

Investment Grade Bond Fund

| MANAGER | ROLE | PREVIOUS TARGET WEIGHT | CURRENT TARGET WEIGHT |
|--|------------------------|------------------------|-----------------------|
| Logan Circle Partners, L.P. | Specialist | 14% | 22% |
| Loomis, Sayles & Company, L.P. | Generalist | 20% | 0% |
| Neuberger Berman Investment Advisers LLC | Generalist | 23% | 0% |
| Schroder Investment Management North America, Inc. | Specialist | 18% | 35% |
| Russell Investment Management, LLC (RIM)* | Positioning strategies | 25% | 43% |

*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. Positioning strategies are used to seek excess return and manage portfolio risks by targeting specific exposures. These strategies are used in conjunction with allocations to third-party managers to fully reflect Russell Investments' strategic and dynamic views with integrated liquidity and risk management.

Tax-Managed Equity Funds

The Russell Investments portfolio managers of the **Tax-Managed U.S. Large Cap Fund**, **Tax-Managed U.S. Mid & Small Cap Fund**, and **Tax-Managed International Equity Fund** recently made changes in an effort to:

- › Improve the overall risk management and tax-efficiency of the Funds by allocating additional assets to Russell Investment Management, LLC's (RIM) internally-managed positioning strategy.

Key changes

As shown in each of the charts below, the allocation to RIM is increasing to 40% in the Tax-Managed Mid & Small Cap Fund, 40% in the Tax-Managed International Equity Fund, and 30% in the Tax-Managed U.S. Large Cap Fund.

Details on RIM's positioning strategy

The positioning strategy used in these Funds is designed with the dual mandate of improving the Funds' after-tax returns as well as controlling Fund-level exposures and/or risks to meet preferred positioning. Positioning strategies are customized portfolios directly managed for use within the total portfolio. Portfolio managers use positioning strategies to seek excess return and manage portfolio risks by targeting specific exposures. These strategies are used in conjunction with allocations to active manager strategies to fully reflect Russell Investments' strategic and dynamic insights with integrated liquidity and risk management.

Additionally, this strategy, in conjunction with Russell Investments' overall management of the total fund, also engages in active tax management strategies such as tax-loss harvesting, deferral of gains, tax-lot management and management of wash sales in order to help further enhance the Funds' after-tax returns. Russell Investments' management of the entire fund allows the firm to purchase and sell securities in an effort to make optimal tradeoffs at the total fund level between fund exposures and tax management activities. Russell Investments also strives to enhance the ongoing tax efficiency of the Funds by seeking to manage wash sales and assisting in the tax management of manager weight changes and transitions.

What is the impact on the Funds' structures as a result of these changes?

Through changes to the Funds' expense caps, the Funds' net expense ratios will be reduced by 5 basis points effective June 1, 2018. Fund assets have been reallocated.

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

Tax-Managed U.S. Large Cap Fund

| MANAGER | ROLE | PREVIOUS TARGET WEIGHT | CURRENT TARGET WEIGHT |
|---|---|------------------------|-----------------------|
| Barrow, Hanley, Mewhinney & Strauss, LLC | Value | 22% | 19% |
| J.P. Morgan Investment Management Inc. | Market-oriented | 22% | 19% |
| Mar Vista Investment Partners, LLC | Growth | 18% | 14% |
| Pzena Investment Management, LLC | Value | 12% | 9% |
| Sustainable Growth Advisers, LP | Growth | 13% | 9% |
| Russell Investment Management, LLC (“RIM”)* | Positioning strategy and tax management | 13% | 30% |

All underlying third-party money managers of this Fund are non-discretionary money managers. Russell Investment Management, LLC manages the respective portions of the Fund's assets based upon model portfolios provided by each firm.

*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. This includes the Fund's positioning strategy, which is used to seek excess return and manage portfolio risks by targeting specific exposures, and the active tax management strategy that is implemented across the entire fund. These strategies are used in conjunction with allocations to third-party managers to fully reflect Russell Investments' strategic and dynamic views with integrated liquidity and risk management.

Tax-Managed U.S. Mid & Small Cap Fund

| MANAGER | ROLE | PREVIOUS TARGET WEIGHT | CURRENT TARGET WEIGHT |
|--|---|------------------------|-----------------------|
| Ancora Advisors, LLC | Market-oriented | 15% | 12% |
| Chartwell Investment Partners, LLC | Value | 20% | 12% |
| Copeland Capital Management, LLC | Market-oriented | 8% | 8% |
| Falcon Point Capital, LLC | Growth | 8% | 9% |
| Snow Capital Management, L.P. | Value | 8% | 9% |
| Summit Creek Advisors, LLC | Growth | 11% | 10% |
| Russell Investment Management, LLC (“RIM”)* | Positioning strategy and tax management | 30% | 40% |

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Tax-Managed International Equity Fund

| MANAGER | ROLE | PREVIOUS TARGET WEIGHT | CURRENT TARGET WEIGHT |
|---|---|------------------------|-----------------------|
| AllianceBernstein L.P. | Value | 7.5% | 7.5% |
| GQG Partners, LLC | Growth | 15% | 12% |
| Janus Capital Management LLC and Perkins Investment Management LLC | Value | 18% | 15% |
| Pzena Investment Management, LLC | Value | 22% | 15% |
| RWC Asset Advisors (US) LLC | Growth | 7.5% | 7.5% |
| Russell Investment Management, LLC (“RIM”)* | Positioning strategy and tax management | 30% | 40% |

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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 visiting russellinvestments.com. Please read a prospectus carefully before investing.

The investment styles employed by a Fund's money managers may not be complementary. This concentration may be beneficial or detrimental to a Fund's performance depending upon the performance of those securities and the overall economic environment. The multi-manager approach could increase a Fund's portfolio turnover rates which may result in higher levels of realized capital gains or losses with respect to a Fund's portfolio securities, higher brokerage commissions and other transaction costs.

Consider how the combined risks of various asset classes impact your total investment portfolio and understand that different risks can lead to varying financial consequences, including loss of principal. Please see a prospectus for further details.

Non-U.S. markets, which may include developed, emerging, and frontier 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 U.S. securities. The risks associated with non-U.S. securities may be amplified for emerging markets securities. Because frontier markets are among the smallest, least developed, least liquid, and most volatile of the emerging markets, investments in frontier markets are generally subject to a greater risk of loss than investments in developed or traditional emerging markets.

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.

Investments in small cap, micro cap, and companies with capitalization smaller than the Russell 2000® Index are subject to the risks of common stocks, including the risks of investing in securities of large and medium capitalization companies. Investments in smaller capitalization companies may involve greater risks as, generally, the smaller the company size, the greater these risks. In addition, micro capitalization companies and companies with capitalization smaller than the Russell 2000® Index may be newly formed with more limited track records and less publicly available information.

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First used: June 2018 RIFIS 20159