

# Fund Changes

Effective September 10, 2015, manager changes will be implemented for six Russell Investment Company Funds

## The value of active management

We believe an effective multi-asset portfolio is built using the best strategies. That's why we put our efforts into continually researching money managers and strategies around the world—with the goal of finding top performers. Occasionally, necessary changes are identified by Russell Portfolio Managers.

### Changes effective September 10, 2015

A change is occurring in the following Russell Investment Company (RIC) Funds:

- › Russell U.S. Mid Cap Equity Fund
- › Russell U.S. Core Equity Fund
- › Russell U.S. Strategic Equity Fund
- › Russell U.S. Dynamic Equity Fund
- › Russell U.S. Defensive Equity Fund
- › Russell International Developed Markets Fund

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

Please see the funds' manager profile documents for further details on all the managers and strategies in the funds.

### Russell U.S. Mid Cap Equity Fund

The Russell portfolio managers of this fund, Jon Eggins and Megan Roach, recently made changes in an effort to:

- Improve excess return potential of the fund by changing to a high conviction, early lifecycle manager (Elk Creek Partners, LLC).

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### **New money manager: Elk Creek Partners, LLC**

#### *Firm background:*

- › Elk Creek Partners, LLC is an independent registered investment advisor formed by five founding partners, composing the firm's investment team, to provide long-only institutional asset management in small, small-mid and mid cap growth disciplines.
- › Headquarters is in Denver, CO
- › Lead managers are Cam Philpott and Lance Marx

#### *The manager's intended role in the Fund:*

- › Elk Creek provides a mid cap growth strategy
- › Targeted number of holdings: 80-100

#### *Russell's analysis of the manager:*

- › Russell has researched investment products managed by the lead investment professional, Cam Philpott, since 1990.
- › Elk Creek uses a bottom-up stock selection process based on fundamental research.
- › Elk Creek seeks to identify companies that can sustain earnings and revenue growth over several years, with a focus on those with the potential for double digit growth combined with expanding margins over the next 12 months. The team seeks out companies with strong management teams, defensible competitive advantages, and growing end markets.

Russell believes that Elk Creek represents an early life cycle opportunity that seeks to benefit from high investment team motivation and the investment flexibility Russell believes is typically afforded by lower assets under management.

### **Terminated money manager: Arbor Capital Management, LLC**

- › Originally introduced into fund at the fund's launch in 2012.
- › Arbor Capital follows a fundamentals-based, bottom-up growth strategy.
- › Arbor is being removed from the fund due to changes in Arbor's investment team and Russell's manager research team believes that Arbor's breadth and depth of fundamental research may no longer be a competitive advantage relative to other peers.
- › Targeted number of holdings: 15-30

### **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 Company (Russell). This does not include liquidity reserves managed directly by Russell, which may constitute 5% or more of fund assets at any given time.

## Russell U.S. Mid Cap Equity Fund

MANAGER	ROLE	PREVIOUS TARGET WEIGHT	CURRENT TARGET WEIGHT
Arbor Capital Management, LLC	Growth	22%	0%
Ceredex Value Advisors LLC	Value	33%	30%
Elk Creek Partners, LLC	Growth	0%	20%
Jacobs Levy Equity Management, Inc.	Market-oriented	45%	41%
Russell Investment Management Company*	--	--	9%

\*Russell 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. Russell previously managed a portion of the fund for this purpose, but was not included as part of the target allocation of the fund's assets.

## Russell U.S. Core Equity Fund

The Russell portfolio manager of this fund, Dave Hintz, recently made changes in an effort to:

- › Reduce the number of managers in the fund providing a greater focus on active management insights (i.e. security selection) amongst the limited set of high conviction managers.

### New money manager: Brandywine Global Investment Management, LLC

Brandywine has been hired as a non-discretionary manager in the fund. In this capacity, Brandywine provides a model portfolio to Russell Investment Management Company (Russell) representing its investment recommendations, based upon which Russell purchases and sells securities for the fund. Russell may deviate from the model portfolio provided by Brandywine, but generally intends to implement the portfolio provided by Brandywine.

#### *Firm background:*

- › Brandywine Global Investment Management, LLC offers a broad array of fixed income, equity, alternatives, and asset allocation strategies that seek value across global markets. The firm is a wholly owned, independently operated subsidiary of Legg Mason, Inc. and is headquartered in Philadelphia with office locations in San Francisco, Montreal, Toronto, Singapore, and London.
- › Headquarters is in Philadelphia, PA
- › Lead manager is Patrick Kaser

#### *The manager's intended role in the Fund:*

- › Brandywine provides a broad value, large cap strategy
- › Targeted number of holdings: 50-75

#### *Russell's analysis of the manager:*

- › Russell has researched this firm for approximately 20 years.
- › Brandywine is an opportunistic relative value manager. The strategy focuses primarily on deep value stocks but may include certain moderately valued stocks when they have been in favor due to positive fundamental trends at the industry and/or company-specific level.

- › Brandywine builds a portfolio based on quantitative screens and internal research. The firm has a broad definition of value, and Russell believes it considers a broader universe of stocks than most other dividend-oriented managers.
- › Rigorous fundamental analysis is conducted to identify those companies the firm believes have the best potential to benefit the portfolio. Within the universe of undervalued securities, the firm seeks to identify the best combination of valuation characteristics, earnings growth, and quality.

This money manager was added now to enhance the stock selection component of the fund while maintaining exposures to cyclical value segments that have been out of favor in recent years. The strategy used by this manager has a combination of exposures similar to what the two terminated managers provided separately.

#### **Terminated money manager: Schneider Capital Management Corporation**

- › Originally introduced into fund in 2004
- › Schneider follows a deep value, mid to large-cap strategy
- › Schneider is being removed from the fund to help reduce the number of managers in the fund. In addition, this manager tended to place large percentages of its portfolio in a few volatile industries, which led Russell to keep Schneider's allocation low within the fund (5%).
- › Targeted number of holdings: approximately 50

#### **Terminated money manager: Institutional Capital LLC (ICAP)**

- › Originally introduced into fund in 2004
- › ICAP follows a relative value, large cap strategy
- › ICAP is being removed from the fund to help reduce the number of managers in the fund and help ensure that the full market cap spectrum of large and mid cap value is represented.
- › Targeted number of holdings: approximately 30

#### **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 Company (Russell). This does not include liquidity reserves managed directly by Russell, which may constitute 5% or more of fund assets at any given time.

#### **Russell U.S. Core Equity Fund**

MANAGER	ROLE	PREVIOUS TARGET WEIGHT	CURRENT TARGET WEIGHT
Barrow, Hanley, Mewhinney & Strauss, LLC	Value	19%	20%
Brandywine Global Investment Management, LLC	Value	0%	15%
Columbus Circle Investors	Growth	12%	10%

Institutional Capital LLC	Value	18%	0%
Jacobs Levy Equity Management, Inc.	Value	23%	24%
Schneider Capital Management Corporation	Value	5%	0%
Suffolk Capital Management, LLC	Market-oriented	9%	9%
Sustainable Growth Advisers, LP	Growth	14%	14%
Russell Investment Management Company*	--	--	8%

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## Russell U.S. Strategic Equity Fund

The Russell portfolio manager of this fund, Dave Hintz, recently made changes in an effort to:

- › Reduce the number of managers in the fund providing a greater focus on active management insights (i.e. security selection) amongst the limited set of high conviction managers.

### New money manager: Brandywine Global Investment Management, LLC

Brandywine has been hired as a non-discretionary manager in the fund. In this capacity, Brandywine provides a model portfolio to Russell Investment Management Company (Russell) representing its investment recommendations, based upon which Russell purchases and sells securities for the fund. Russell may deviate from the model portfolio provided by Brandywine, but generally intends to implement the portfolio provided by Brandywine.

#### *Firm background:*

- › Brandywine Global Investment Management, LLC offers a broad array of fixed income, equity, alternatives, and asset allocation strategies that seek value across global markets. The firm is a wholly owned, independently operated subsidiary of Legg Mason, Inc. and is headquartered in Philadelphia with office locations in San Francisco, Montreal, Toronto, Singapore, and London.
- › Headquarters is in Philadelphia, PA
- › Lead manager is Patrick Kaser

#### *The manager's intended role in the Fund:*

- › Brandywine provides a broad value, large cap strategy
- › Targeted number of holdings: 50-75

#### *Russell's analysis of the manager:*

- › Russell has researched this firm for approximately 20 years.
- › Brandywine is an opportunistic relative value manager. The strategy focuses primarily on deep value stocks but may include certain moderately valued stocks when they have been in favor due to positive fundamental trends at the industry and/or company-specific level.
- › Brandywine builds a portfolio based on quantitative screens and internal research. The firm has a broad definition of value, and Russell believes it considers a broader universe of stocks than most other dividend-oriented managers.

- › Rigorous fundamental analysis is conducted to identify those companies the firm believes have the best potential to benefit the portfolio. Within the universe of undervalued securities, the firm seeks to identify the best combination of valuation characteristics, earnings growth, and quality.

This money manager was added now to enhance the stock selection component of the fund while maintaining exposures to cyclical value segments that have been out of favor in recent years. The strategy used by this manager has a combination of exposures similar to what the two terminated managers provided separately.

#### **Terminated money manager: Schneider Capital Management Corporation**

- › Originally introduced into fund in 2004
- › Schneider follows a deep value, mid to large-cap strategy
- › Schneider is being removed from the fund to help reduce the number of managers in the fund. In addition, this manager tended to place large percentages of its portfolio in a few volatile industries, which led Russell to keep Schneider's allocation low within the fund (5%).
- › Targeted number of holdings: approximately 50

#### **Terminated money manager: Institutional Capital LLC (ICAP)**

- › Originally introduced into fund in 2004
- › ICAP follows a relative value, large cap strategy
- › ICAP is being removed from the fund to help reduce the number of managers in the fund and help ensure that the full market cap spectrum of large and midcap value is represented.
- › Targeted number of holdings: approximately 30

#### **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 Company (Russell). This does not include liquidity reserves managed directly by Russell, which may constitute 5% or more of fund assets at any given time.

#### **Russell U.S. Strategic Equity Fund**

MANAGER	ROLE	PREVIOUS TARGET WEIGHT	CURRENT TARGET WEIGHT
AJO, LP	Dynamic	7%	7%
Barrow, Hanley, Mewhinney & Strauss, LLC	Value	16%	17%
Brandywine Global Investment Management LLC	Value	0%	11%
Columbus Circle Investors	Growth	10%	10%

Cornerstone Capital Management LLC	Growth	8%	8%
Institutional Capital LLC	Value	14%	0%
Jacobs Levy Equity Management, Inc.	Defensive	18%	18%
PanAgora Asset Management, Inc.	Defensive	16%	16%
Suffolk Capital Management, LLC	Dynamic	6%	7%
Schneider Capital Management Corporation	Value	5%	0%
Russell Investment Management Company*	--	--	6%

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## Russell U.S. Dynamic Equity Fund

The Russell portfolio manager of this fund, Dave Hintz, recently made changes in an effort to:

- › Introduce a research-intensive, deep value stock picking manager into the fund.

### **New money manager: Pzena Investment Management, LLC**

*Firm background:*

- › Pzena Investment Management, LLC is an independent investment management firm that employs a classic approach to value investment for domestic and international portfolios.
- › Headquarters is in New York, NY
- › Lead manager is Richard Pzena

*The manager's intended role in the Fund:*

- › Pzena provides a large cap deep value strategy
- › Targeted number of holdings: 35-50

*Russell's analysis of the manager:*

- › Russell has researched this firm for more than 20 years.
- › Pzena purchases what they believe to be out-of-favor stocks with prospects for longer-term earning improvement and then holds them to seek to capture subsequent excess returns.
- › Pzena is a deep value manager with an extensive research team that uses a disciplined normalized earnings approach to assessing intrinsic value.

This money manager was added now to introduce a research-intensive, deep value stock picking manager to the fund.

### **Terminated money manager: Schneider Capital Management Corporation**

- › Originally included at the inception of the fund in 2012
- › Schneider follows a deep value, mid to large-cap strategy

- › Schneider is being removed from the fund to create capacity to help introduce greater industry diversity across the deep value spectrum.
- › Targeted number of holdings: approximately 50

**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 Company (Russell). This does not include liquidity reserves managed directly by Russell, which may constitute 5% or more of fund assets at any given time.

**Russell U.S. Dynamic Equity Fund**

MANAGER	ROLE	PREVIOUS TARGET WEIGHT	CURRENT TARGET WEIGHT
AJO, LP	Dynamic	30%	26%
Cornerstone Capital Management LLC	Dynamic	10%	10%
Jacobs Levy Equity Management, Inc.	Dynamic	20%	19%
Pzena Investment Management, LLC	Dynamic	0%	14%
Schneider Capital Management Corporation	Dynamic	13%	0%
Suffolk Capital Management, LLC	Dynamic	27%	24%
Russell Investment Management Company*	--	--	7%

\*Russell 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. Russell previously managed a portion of the fund for this purpose, but was not included as part of the target allocation of the fund’s assets.

**Russell U.S. Defensive Equity Fund**

The Russell portfolio managers of this fund, Dave Hintz and Rich Johnson, recently made changes in an effort to:

- › Create capacity in the fund to introduce a more defensive-oriented manager.

**New money manager: Coho Partners, Ltd.**

*Firm background:*

- › Coho Partners, Ltd. Is an independent, employee-owned registered investment advisor serving institutional clients, endowments, foundations, corporations, high net worth individuals, trusts, and estates.
- › Headquarters is in Berwyn, PA
- › Lead manager is Peter Thompson

*The manager’s intended role in the Fund:*

- › Coho provides a large cap, defensive strategy
- › Targeted number of holdings: 25-30

*Russell's analysis of the manager:*

- › Russell has researched this firm since August 2000.
- › Coho is a concentrated, fundamental manager that specializes in defensive stocks. Coho's investment discipline emphasizes defensive companies that pay or are capable of paying a dividend. These companies tend to have low earnings variability and moderate historical growth rates compared to the broad market.
- › Coho will also purchase some moderately cyclical stocks when they have attractive valuations and reasonable earnings visibility.

This money manager was added now to help increase the defensive orientation of the fund. Coho is a concentrated fundamental manager whose holdings and weights may differ meaningfully from the index. Coho strives to manage risk by focusing on what it believes to be high quality, reasonably valued companies with stable and predictable revenue, earnings and dividend growth. Historically, Coho has exhibited a return pattern such that stocks have declined less in down markets than they have risen in up markets. The length of the U.S. economic expansion since the global financial crisis, low expected returns from U.S. equities going forward, and an increase in market turmoil, both domestic and international, are some of the factors considered in determining the defensive positioning of the fund.

**Terminated money manager: INTECH Investment Management LLC**

- › Originally introduced into fund in 2012
- › INTECH follows a defensive large-cap strategy
- › INTECH is being removed from the fund to create capacity in the fund to add a more defensive-oriented manager.
- › Targeted number of holdings: 100-400

**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 Company (Russell). This does not include liquidity reserves managed directly by Russell, which may constitute 5% or more of fund assets at any given time.

**Russell U.S. Defensive Equity Fund**

MANAGER	ROLE	PREVIOUS TARGET WEIGHT	CURRENT TARGET WEIGHT
Coho Partners, Ltd.	Defensive	0%	18%
INTECH Investment Management LLC	Defensive	20%	0%
Jacobs Levy Equity Management, Inc.	Defensive	25%	27%
J.P. Morgan Investment Management Inc.	Defensive	30%	23%
PanAgora Asset Management, Inc.	Defensive	25%	22%
Russell Investment Management Company*	--	--	10%

\*Russell 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. Russell previously managed a portion of the fund for this purpose, but was not included as part of the target allocation of the fund's assets.

### **Russell International Developed Markets Fund**

The Russell portfolio manager of this fund, Jon Eggins, recently made changes in an effort to:

- › Consolidate the fund in Russell's best manager research ideas, while enhancing the role of the positioning strategy to help the total fund reflect Russell's strategic beliefs and dynamic preferred positioning. In particular these changes are intended to increase the fund's exposure to Russell's strategic belief on value.
- › The Russell positioning strategy is a diversified factor portfolio that allows the portfolio manager to precisely position the total fund while adapting to changing markets and manager portfolios. The current emphasis of this strategy is to increase the fund's value exposure while moderating volatility exposure at the total fund level.
- › The positioning strategy strives to achieve this by building a factor portfolio that is complimentary to the fund's other managers, and tilts towards value and lower volatility securities using Russell's proprietary optimization engine to target fund level preferred positioning. The end result is an actively managed portfolio constructed to focus on the targeted factors, and to meet the specific needs of this fund based on the positions held by the other managers.

### **Terminated money manager: AQR Capital Management, LLC**

- › Originally introduced into fund in 2002
- › AQR follows a defensive mid to large-cap strategy
- › AQR is being removed as part of a broader effort to reduce the total number of managers and consolidate the fund's quantitative exposure with a single manager (Numeric).
- › Targeted number of holdings: 200-350

### **Terminated money manager: William Blair & Company, LLC**

- › Originally introduced into fund in 2009
- › William Blair follows a growth, all-cap strategy
- › William Blair is being removed in an effort to concentrate the fund's growth structure from three to two managers. There is some overlap between certain aspects of this manager's process and other growth managers in the fund and this change helps to provide two distinct strategies that the portfolio can allocate to based on Russell's preferred positioning. William Blair is also the manager with the highest growth exposure and removing this manager helps migrate the fund toward value, consistent with Russell's strategic beliefs.
- › Targeted number of holdings: 35-45

### 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 Company (Russell). This does not include liquidity reserves managed directly by Russell, which may constitute 5% or more of fund assets at any given time.

### Russell International Developed Markets Fund

MANAGER	ROLE	PREVIOUS TARGET WEIGHT	CURRENT TARGET WEIGHT
AQR Capital Management, LLC	Defensive	21%	0%
Barrow, Hanley, Mewhinney & Strauss, LLC	Value	19%	17.5%
MFS Institutional Advisors, Inc.	Growth	16%	15%
Numeric Investors LLC	Market-oriented	5%	22.5%
Pzena Investment Management, LLC	Value	17%	20%
Wellington Management Company LLP	Growth	9%	10%
William Blair & Company, LLC	Growth	13%	0%
Russell Investment Management Company*	--	--	15%

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

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Mutual fund investing involves risk. Principal loss is possible.

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

Money managers listed are current as of 9/10/2015. 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.

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.

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.

Large capitalization (large cap) investments generally involve stocks of companies with a market capitalization based on the Russell 1000® Index. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions.

Middle capitalization (mid cap) investments generally involve stocks of companies with a market capitalization based on the Russell MidCap® Index. Mid cap investments are considered more volatile than large cap companies. Mid cap investments are often considered to offer more growth potential than larger caps (but less than small caps) and less risk than small caps (but more than large caps).

Small capitalization (small cap) investments generally involve stocks of companies with a market capitalization based on the Russell 2000® Index. 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.

Dynamic style emphasizes investments in equity securities of companies that are believed to be currently undergoing or are expected to undergo positive change that will lead to stock price appreciation. Dynamic stocks typically have higher than average stock price volatility, characteristics indicating lower financial quality (which may include greater financial leverage) and/or less business stability.

Defensive style emphasizes investments in equity securities of companies that are believed to have lower than average stock price volatility, characteristics indicating high financial quality, (which may include lower financial leverage) and/or stable business fundamentals.

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