

# Fund updates

The value of active management



Effective December 19, 2018, we have changed the line-up of third-party money managers as part of an ongoing effort to ensure that our funds are exposed to the best ideas from our portfolio management and manager research team.

Changes have been made to the following Russell Investment Company (RIC) Funds:

- Global Opportunistic Credit Fund<sup>1</sup>
- Multi-Asset Growth Strategy Fund

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

## GLOBAL OPPORTUNISTIC CREDIT FUND

### Terminated Managers

- Axiom Alternative Investments SARL (“Axiom”)
- Lazard Asset Management LLC (“Lazard”)
- THL Credit Advisors LLC (“THL”)

### Change rationale

While the terminated managers remain positively viewed, the Russell Investments portfolio manager, Keith Brakebill, has made these changes to improve the excess return potential of the Fund by adjusting the overall credit and sector positioning of the portfolio.

Axiom was added to the Fund in 2016 for its specialty in a niche area of the market—European high yield bonds. While this sector is attractive for both total and excess return potential, it’s also relatively illiquid and can come with potential downside volatility. In the current market environment with tighter spreads, Russell Investments believes it’s prudent to decrease this less liquid exposure. The Fund will still have exposure to European high yield bonds through Barings LLC’s strategy which targets both U.S. and European high yield bonds and through Russell Investment Management, LLC’s (RIM) directly managed positioning strategies.

Lazard was added to the Fund in 2012 for its specialty in local emerging market debt. While Russell Investments still sees value in emerging markets currency exposure, we believe tactical exposure can be better achieved through the flexibility of RIM’s positioning strategy.

*“While the terminated managers remain positively viewed, Russell Investments has made these changes to improve the excess return potential of the Fund by adjusting the overall credit and sector positioning of the portfolio.”*

<sup>1</sup> Effective March 1, 2019, the Global Opportunistic Credit Fund will be renamed the Opportunistic Credit Fund.

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THL was added to the Fund in 2013 for its specialty in bank loans. While Russell Investments continues to have a high degree of confidence in THL, we currently prefer less liquid floating rate exposure in the securitized market rather than the loan market as it tends to be more sensitive to the financial condition of individual consumers rather than corporate borrowers. With this, we have increased our exposure to securitized credit through a 20% allocation to Voya Investment Management Co. LLC. Russell Investments believes the role and the positive structural features of bank loans (generally relatively lower volatility with higher yield) are still appropriate for outcome-oriented strategies such as the RIC Unconstrained Total Return Fund, RIC Multi-Strategy Income Fund and RIC Multi-Asset Growth Strategy Fund.

With these terminations, Fund weights have been reallocated to existing managers in the Fund.

## NEW MANAGER WEIGHTS IN THE GLOBAL OPPORTUNISTIC CREDIT FUND

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

MANAGER STRATEGY	ROLE	OLD FUND WEIGHTS (%)	NEW FUND WEIGHTS* (%)
Axiom Alternative Investments SARL	European high yield bonds	3%	0%
Barings LLC*	U.S. and European high yield bonds	17%	18%
DDJ Capital Management, LLC	U.S. high yield bonds and bank loans	13%	14%
DuPont Capital Management Corporation	Emerging market corporate debt and U.S. emerging market debt	15%	15%
Lazard Asset Management LLC	Local emerging market sovereign debt	7%	0%
THL Credit Advisors LLC	Bank loans	5%	0%
Voya Investment Management Co. LLC	Securitized credit	10%	20%
Russell Investment Management, LLC (RIM)**	Positioning strategies	30%	33%

\*Barings refers to Barings LLC and Barings Global Advisers Limited.

\*\*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. 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.

*"We have increased our exposure to securitized credit through a 20% allocation to Voya Investment Management Co. LLC."*

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## MULTI-ASSET GROWTH STRATEGY FUND

### Terminated Managers

- Axiom International Investors LLC (“Axiom”)
- Polaris Capital Management, LLC (“Polaris”)
- Wellington Management Company LLP (“Wellington”)

### Hired Managers

- Atlantic Investment Management, Inc. (“Atlantic”)

### Change rationale

While the terminated managers remain positively viewed, the Russell Investments Portfolio Managers, Brian Meath and Rob Balkema, are making these changes to improve the excess return potential of the Fund.

The termination of Axiom and its international equity strategy in the Fund is part of Russell Investments’ effort to ensure the highest conviction managers are used and to concentrate the Fund at the total portfolio level. Regarding the termination of Polaris and its global equity all cap value strategy, Russell Investments has decided to replace Polaris with Atlantic’s global equity all cap value strategy due to higher conviction in Atlantic’s more concentrated investment style. Lastly, the termination of Wellington allows Russell Investments to harvest gains from Wellington’s strategy and allocate assets to other managers.

*“While the terminated managers remain positively viewed, Russell Investments has made these changes to improve the excess return potential of the Fund.”*

### RUSSELL INVESTMENTS RESEARCH VIEW – ATLANTIC INVESTMENT MANAGEMENT, INC.

ATLANTIC	
Location:	New York, NY
Founded:	1988
Portfolio manager:	Alexander Roepers, Founder and Chief Investment Officer
Ownership:	Employee-owned

Atlantic has been hired for its global equity all cap value strategy. Atlantic focuses on selecting companies in the U.S., Europe, Japan, and Asia ex-Japan that it believes are undervalued by the market but have demonstrated attractive earnings potential along with strong balance sheets. They adhere to a strict buy/sell discipline.

Atlantic’s strategy is concentrated in a small number of holdings. Atlantic will often follow a company for years before making an investment. They leverage strong industry knowledge to make investment decisions. Alex Roepers, Founder and Chief Investment Officer of Atlantic, is the sole portfolio manager. He is an experienced investment professional and brings a differentiated view on the markets and industries relative to long only peers given his background in private equity and hedge fund investing.

*“Atlantic focuses on selecting companies in the U.S. Europe, Japan, and Asia-ex-Japan that it believes are undervalued by the market but have demonstrated attractive earnings potential and have strong balance sheets.”*

## NEW MANAGER WEIGHTS IN THE MULTI-ASSET GROWTH STRATEGY FUND

MANAGER STRATEGY	ROLE	OLD FUND WEIGHTS (%)	NEW FUND WEIGHTS* (%)
Levin Capital Strategies, L.P.*	U.S. equity – all cap value	2.5%	2.5%
RiverPark Advisors, LLC*	U.S. equity – large cap growth	2.5%	4.0%
Boston Partners Global Investors, Inc.*	U.S. equity – small cap value	2.5%	3.0%
Axiom International Investors LLC*	International equity – all cap growth	2.0%	0.0%
Atlantic Investment Management, Inc.*	Global equity – all cap value	0.0%	4.0%
Kopernik Global Investors, LLC*	Global equity – all cap value	2.5%	2.5%
OFI Global Institutional, Inc.*	Global equity – all cap value	2.5%	2.5%
Polaris Capital Management, LLC*	Global equity – all cap value	2.5%	0.0%
Wellington Management Company LLP*	Global equity – all cap growth	3.0%	0.0%
AllianceBernstein L.P.*	Emerging Markets	3.0%	3.0%
Sompo Japan NipponKoa Asset Management Co., Ltd.*	Japan equity – large cap value	3.0%	3.0%
Cohen & Steers Capital Management, Inc. <sup>†</sup> *	Global real estate securities	6.0%	6.0%
Colonial First State Asset Management (Australia) Limited*	Global listed infrastructure	6.0%	6.0%
Hermes Investment Management Limited	High yield debt	7.0%	7.0%
Oaktree Capital Management, L.P.	Convertibles	6.0%	6.0%
GLG LLC	Emerging markets debt	7.0%	7.0%
T. Rowe Price Associates, Inc.	Global credit	10.0%	10.0%
Putnam Investment Management, LLC	Mortgages	6.0%	6.0%
THL Credit Advisors, LLC	Bank loans	7.0%	7.0%
Russell Investment Management, LLC (RIM)**	Positioning strategies	19.0%	20.5%

<sup>†</sup>Cohen & Steers Capital Management, Inc. refers to Cohen & Steers Capital Management, Inc. (New York, NY), Cohen & Steers UK Limited (London, UK) and Cohen & Steers Asia Limited (Central Hong Kong).

\*Indicated managers are non-discretionary managers. RIM manages these portions of the fund's assets based upon model portfolios 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 to seek to achieve the desired risk/return profile for the Fund. 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.

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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 have recently been increased from historic lows and may continue to increase in the future (though the timing and magnitude of future increases are difficult to predict), which may increase a Fund's exposure to risks associated with rising rates.

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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