

STRATEGIC BOND FUND

Money Manager and Russell Investments Overview



September 2019

Russell Investments' approach

Russell Investments uses a multi-asset approach to investing, combining asset allocation, manager selection and dynamic portfolio management in its investment portfolios. Using this approach as a framework for mutual fund construction, we research, monitor, hire and terminate (subject to Fund Board approval) money managers from around the world and strategically allocate fund assets to them. We oversee all investment advisory services to the funds and manage assets not allocated to money managers.

The Fund

The Strategic Bond Fund provides access to a broad range of fixed income strategies, processes and securities. The money managers in the Fund may evaluate investment opportunities based on a macro-economic framework (top-down) or a security specific framework (bottom-up). Managers may use a quantitative process-based security selection methodology, or a fundamental based security selection methodology. Managers also focus on fixed income risk management activities such as interest rate risk and yield curve management. In addition to the money managers, Russell Investments manages a currency overlay strategy designed to provide additional diversification and another potential source of return, with corresponding risk.

As a result of this diversity of strategies and processes, the Fund holds a broad range of securities, including mortgage related securities (such as mortgage-backed securities and collateralized mortgage obligations), non-U.S. developed and emerging markets' debt, corporate debt, consumer credit debt (asset-backed securities), credit default swaps, high yield debt, and currency futures and forwards. The Fund may have a significant exposure to mortgage-backed securities. The Fund's benchmark is the Bloomberg Barclays U.S. Aggregate Bond Index.

Money manager skill set (as of September 2019) See skill set definitions on page 9

The table below provides an overview of the primary focus the money managers take in this Fund. This is not intended to be a comprehensive list of the managers' capabilities.

MANAGER	Interest rate timing (duration / yield)	Mortgage-backed securities	Corporate bonds	High yield bonds	Emerging market debt	Currency
Colchester	•				•	•
Schroder		•				
Western	•	•	•	•	•	•

Not a Deposit. Not FDIC Insured. May Lose Value. Not Bank Guaranteed. Not Insured by any Federal Government Agency.

Russell Investments portfolio managers

Keith Brakebill is a Senior Portfolio Manager on the global fixed income team. Keith is responsible for managing a variety of fixed income funds for North American investors including U.S. corporate and municipal bonds, global high yield, and emerging market debt. Prior to this role, Keith was an analyst on Russell Investments' global fixed income research team. Keith holds a BA in college scholars with a concentration in international economic policy and foreign language acquisition and an MA in international policy studies. Keith joined Russell Investments in 2007.

Gerard Fitzpatrick is Russell Investments' Head of Fixed Income, Senior Portfolio Manager. In this role, Gerard is responsible for the management of this Fund along with a range of other short, intermediate and long-term bond funds invested in by both retail and institutional clients. He moved to Seattle in 2011 from the London office to assume these responsibilities. Previously in London, Gerard was responsible for the portfolio management of all Russell Investments' global bond funds. Gerard holds a BBS and MA in finance and a B.Sc. in financial services. Gerard joined the firm in 2007.

The portfolio managers' role

The Russell Investments portfolio managers are responsible for identifying and selecting the strategies and money managers included in the Fund and determining the weight for each assignment. The portfolio managers manage the Fund on a daily basis to help keep it on track, constantly monitoring risk and return expectations at the total fund level and making changes when deemed appropriate and/or necessary. Multiple resources from across the firm are used to help determine what is believed to be the best combination of managers and strategies. Manager research and capital markets research are just some of the tools at the portfolio managers' disposal to help identify opportunities and manage risk.

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, 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.

FIRM NAME	TARGET ALLOCATION
Colchester Global Investors Limited	14%
Schroder Investment Management North America, Inc.	20%
Western Asset Management Company and Western Asset Management Company Limited	30%
Russell Investment Management, LLC (RIM)*	36%

*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.

Strategic Bond Fund

Managers and Strategies Summary

September 2019

NAME	ALLOCATION	INVESTMENT FOCUS	ROLE	DETAILS OF ROLE IN THE FUND
 COLCHESTER GLOBAL INVESTORS LIMITED	14%	Follows a top-down macro process that focuses on country selection and currency management, primarily in sovereign government bonds and currencies.	Generalist	Colchester focuses exclusively on global government bonds and currencies in order to seek to reduce the Fund's risk due to U.S. factors. Its investment process is more long-term compared to other managers in the Fund.
 Schroders	20%	Emphasizes security selection across securitized credit sectors with a particular specialty in residential housing.	Specialist	Schroder plays the role of securitized credit specialist in the Fund seeking to add value through security and sub-sector selection within that market.
 WESTERN ASSET	30%	Western's process combines bottom-up issuer selection with a top-down investment view.	Generalist	Western believes in a well-diversified, long-term, fundamentally based, value driven investment approach.
Russell Investment Management, LLC (RIM)	36%	Directly manages multiple positioning strategies to seek to tilt the Fund across a variety of dimensions including credit, currency and interest rate factors.	Positioning strategies	RIM oversees all investment advisory services to the Fund and manages assets not allocated to money managers. This includes the Fund's positioning strategies, which help the Fund to achieve its desired risk/return profile. RIM also manages the Fund's liquidity reserves, which may constitute 5% or more of Fund assets at any given time (not included in the percentage on the left).

Colchester Global Investors Limited

Firm background

Colchester Global Investors Limited is an independent boutique investment management firm with a product range focusing on global government bonds and currencies. Colchester is majority-owned by its employees.

Headquarters: London, UK

Founded: 1999

Lead managers: Ian Sims and Keith Lloyd



Asset class: Fixed income

Investment focus: Currency and global government bonds

Number of holdings: 75-125

Manager profile

Colchester Global Investors Limited (Colchester) was added to the Strategic Bond Fund in 2012. Ian Sims (Chairman and Chief Investment Officer) and Keith Lloyd (Senior Investment Manager) are the key investment managers.

What this manager brings to the Fund

Colchester focuses exclusively on global government bonds and currencies in order to seek to reduce the Fund's risk due to U.S. factors. Its investment process is more long-term compared to other managers in the Fund.

Investment process

Colchester is a top-down macro money manager that focuses on country selection and currencies. Bonds of countries that exhibit high prospective real yields while maintaining financial stability are favored by Colchester, as are currencies that appear inexpensive on a purchasing power parity basis with relatively high short-term real interest rates. Sector and issue selection play a minor role in this strategy.

In assessing which government bond markets to go long and which to go short, Colchester's "real yield" approach involves looking at interest rate levels after expected inflation and investing in those with expected high real yields and shorting those with expected low real yields. An inflation forecast is derived from predominantly lagging money and credit growth indicators. Outside of inflation forecasts, further work is done on understanding the stability of the sovereign in terms of debt levels and revenue.

Compared to the other managers in the Fund, Colchester emphasizes various currency and country risk. The existing managers tend to be more focused on U.S. bonds and tend to seek to extract value through issue selection and use of riskier "spread sectors" such as corporate, high yield and mortgage strategies to add value to portfolios. In contrast, Colchester primarily selects sovereign bonds and currencies. Therefore, Colchester's approach is expected to improve diversification within the Fund.

Russell Investments' manager analysis

Russell Investments expects Colchester to do well when higher yielding government bonds rally and credit declines. Conversely, Colchester is expected to underperform when both low yielding government bonds and credit rallies.

Schroder Investment Management North America, Inc.

Firm background

Schroder Investment Management North America, Inc. manages assets on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

Headquarters: New York, NY

Founded: 1979

Lead manager: Michelle Russell-Dowe

Schroders

Asset class: Fixed income

Investment focus: Mortgage-backed securities

Number of holdings: 75-150

Manager profile

Schroder Investment Management North America, Inc. (Schroder) was added to the Strategic Bond Fund in 2016, when Brookfield Investment Management Inc.'s securities product team was purchased by Schroder. The strategy is led by Michelle Russell-Dowe, and a deep team of senior investment professionals and investment specialists across different sectors for credit analysis and modeling.

What this manager brings to the Fund

Schroder's strategy is focused on mortgage-backed securities. Schroder will use Treasury futures to manage duration positioning of their portfolio around the benchmark.

Investment process

Schroder is a mortgage-backed and asset-backed investment specialist. Its process tends to be credit intensive, rather than technical in nature. Schroder specializes in structured products (asset-backed securities and mortgage-backed securities) with an investment philosophy that is predicated on relative value. The firm believes that with experienced investment professionals, a comprehensive analytical platform and a dedicated investment process that emphasizes security selection, it can successfully identify and capture relative value opportunities.

Schroder's investment approach begins with the identification of fundamental and technical factors that are responsible for performance in each asset class or sub-sector. Once areas of opportunity are identified, the firm performs an in-depth security analysis to build portfolios. Investments will be made across the credit spectrum with an emphasis on securities that it believes present high yields and total return opportunities.

Russell Investments' manager analysis

Russell Investments believes that Schroder is one of the most compelling securitized sector specialists and that Russell-Dowe is one of the most knowledgeable investors on the mortgage market with an excellent analytical system for evaluating structured securities, particularly mortgage-backed securities.

Russell Investments believes that Schroder's modest asset base should allow them the flexibility to be nimble in the securitized sector, taking on and off exposures without impacting markets.

Schroder will typically perform well when securitized credit performs well and vice versa. These are typically risk on environments.

Western Asset Management Company and Western Asset Management Company Limited

Firm background

Western is a global fixed income manager with offices in Pasadena, Hong Kong, London, Melbourne, New York, São Paulo, Singapore, Tokyo and Dubai. The company provides investment services for a wide variety of clients, across a wide variety of mandates.

Headquarters: Pasadena, CA

Founded: 1972

Lead manager: Ken Leech, CIO



Asset class: Fixed income

Investment focus: Sector rotation

Number of holdings: 200-400

Manager profile

Western Asset Management Company and Western Asset Management Company Limited (Western) were added to the Strategic Bond Fund in 2016. The strategy is led and implemented by a team of senior generalist portfolio managers.

What this manager brings to the Fund

Western believes in a well-diversified, long-term, fundamentally based, value driven investment approach.

Investment process

Western's process combines bottom-up issuer selection with a top-down investment view.

Western employs multiple strategies, with the conviction that results do not depend on one or two opportunities. Western believes this approach can add incremental value over time and can help to reduce volatility. Western also incorporates a number of macro views in the portfolio which seek to add value independent of credit.

As sector rotators, Western seeks out long-term value by continuously analyzing numerous sectors of the fixed-income market. Western will use derivatives for both hedging and return-seeking purposes. Russell Investments believes Western is one of the larger and more sophisticated managers in this area.

Russell Investments' manager analysis

Russell Investments expects this manager's strategy to do well in a strong bull market for credit but not as well in a bear market for credit. Russell Investments believes Western is complementary to the other credit-focused manager in the Fund, Logan Circle, in that Western includes more macro elements in its process. Additionally, Western can make use of certain advantages that come with being one of the largest managers in the credit space.

Russell Investment Management, LLC

Firm background

Russell Investment Management, LLC (RIM) is the advisor to Russell Investment Company (RIC) Funds. 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. Russell Investments provides asset management and investment services to institutional and individual investors around the world.

Headquarters: Seattle, WA

Founded: Russell Investments, founded in 1936

Asset class: Fixed income

Investment focus: Credit, currency and interest rate factors

Number of holdings: 60-100

RIM oversees all investment advisory services to the Fund and manages assets not allocated to managers.

Manager and strategy oversight

Russell Investments' portfolio managers have ultimate responsibility for ensuring fund outcomes are consistent with fund objectives. The portfolio manager and analysts track the effectiveness of every money manager and strategy in the Fund. Occasionally, adjustments may be necessary due to reasons such as a change in control at a money manager, the opportunity to select another manager or strategy the portfolio manager believes offers an investment proposition that would help improve the Fund, or changes in market dynamics. Any significant fund changes must be validated through an internal governance process to ensure all key considerations were addressed by the portfolio manager. Money manager changes are also subject to approval by the Fund's Board of Trustees.

Investment management

RIM manages a portion of the Fund's assets internally to seek to precisely manage the Fund's exposures and achieve the desired risk/return profile for the Fund. During the portfolio construction and management process, portfolio managers may identify an investment need and seek to address that need with a positioning strategy.

Positioning strategies are customized portfolios directly managed by RIM for use within the total portfolio. Portfolio managers use positioning strategies, including tactical tilts, to seek excess return and manage portfolio risks by targeting specific exposures. These strategies are used in conjunction with allocations to third-party active managers to fully reflect Russell Investments' strategic and dynamic insights with integrated liquidity and risk management.

RIM employs multiple positioning strategies within the Fund to seek to tilt the Fund across a variety of dimensions including credit, currency and interest rate factors. Positioning strategies may change at any time as market conditions and needs of the Fund change.

Managing the liquidity reserve

Every Russell Investment Company mutual fund maintains cash reserves, which is cash awaiting investment or held to meet redemption requests or to pay expenses. This Fund typically exposes all or a portion of its cash to changes in interest rates or market/sector returns by purchasing fixed income securities and/or derivatives (also known as "equitization"), which typically include exchange traded fixed income futures contracts and swaps. The Fund invests any remaining cash in an unregistered cash management fund advised by RIM and/or fixed income securities with an average portfolio duration of one year and individual effective maturities of up to five years.

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

Manager skill sets definitions:

Interest rate timing (duration/yield) – Interest rate timing anticipates the magnitude and direction of interest rates in both the U.S. and/or internationally.

Mortgage-backed securities – Mortgage-backed securities are bonds backed by a pool of mortgages. Investors receive payments out of the interest and principal of the underlying mortgages.

Corporate Bonds – Corporate bonds are debt obligations issued by a corporation.

High yield – Bonds that are ranked lower by ratings agencies because they have a relatively higher chance of default and therefore generally offer a higher yield in return for the higher risk, higher volatility and higher risk of default than investment grade bonds.

Emerging Market Debt – Emerging market debt (EMD) may include obligations of governments and corporations in countries with emerging markets.

Currency – Currency involves investing in foreign currencies with an expectation that the value of the currency will either rise or fall vs. the U.S. dollar.

Money managers listed are current as of September 11, 2019. 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.

This document will be updated annually. If a manager change is made during a year, a manager specific page will be added or removed.

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.

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.

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.

Non-U.S. markets and emerging or developing 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 the U.S., and emerging markets securities may be less liquid and more volatile than U.S. and longer-established non-U.S. markets.

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

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.

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

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

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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