

TAX-EXEMPT BOND FUND

Money Manager and Russell Investments Overview



June 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 Tax-Exempt Bond Fund hires managers that are experts in municipal bonds. The Fund seeks to provide federal tax-exempt current income consistent with the preservation of capital. The Fund will invest, under normal circumstances, at least 80% of the value of its assets in investments the income from which is exempt from federal income tax. The Fund invests principally in investment grade municipal debt obligations providing federal tax-exempt interest income. The managers in this Fund may evaluate investment opportunities based on a macro-economic framework (top-down) or a security specific framework (bottom-up).

Professional asset management is more important in less efficient markets, such as the fixed income market. There are significantly more securities to choose from and the proliferation of new securities requires a deep understanding of this complex market. Russell Investments can dynamically adjust each money manager's mandate to include or exclude those new securities, ensuring managers with the right expertise and best grasp of these trends are positioned to invest in these opportunities.

Money manager skill set (as of June 2019) See skill set definitions on page 6

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	Municipal bonds and notes	Treasuries
Goldman Sachs	•	•
MacKay Shields	•	•

Not FDIC Insured - May Lose Value - No Bank Guarantee

Russell Investments portfolio managers

Albert Jalso is a Senior Portfolio Manager. Albert has managed the Fund since September 2016. Based in Seattle, Albert manages portfolios covering global leveraged loans and asset-backed securities, long duration / credit, and investment grade and high yield municipal debt. Albert's career with Russell Investments includes working in the Russell Investments London office from 2011 to 2016 where he managed the firm's global bond platform. Albert holds BSc and MSc degrees in finance. Albert joined the firm in 2007.

Gerard Fitzpatrick is Russell Investments' Head of Fixed Income, Senior Portfolio Manager. In this role, Gerard is responsible for the management of a range of 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 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
Goldman Sachs Asset Management, L.P.	30%
MacKay Shields LLC	70%

*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.

Tax-Exempt Bond Fund

Managers and Strategies Summary

June 2019

NAME	ALLOCATION	INVESTMENT FOCUS	ROLE	DETAILS OF ROLE IN THE FUND
 Goldman Sachs Asset Management	30%	Uses a combination of top-down and bottom-up ideas to generate returns, in addition to tax-loss harvesting strategies.	Specialist	Goldman Sachs is total-return oriented and takes active bets based on technical, political and fundamental views. Russell Investments believes GSAM has a strong understanding of market technicals and how other municipal managers operate, which has the potential to bolster the Fund's peer-relative performance.
 MACKAYSHIELDS	70%	Uses a fundamental investment approach that focuses on sector and state relative valuation.	Specialist	Mackay is a fundamental and relative value focused manager that seeks to exploit inefficiencies in the municipal market. The firm will take on relatively aggressive position sizes versus the benchmark and will also hold lower- and non-rated securities when attractive market opportunities exist.

Goldman Sachs Asset Management, L.P.

Firm background

Goldman Sachs Asset Management, L.P. is a subsidiary of the Goldman Sachs Group, Inc., a bank holding company that engages in investment banking, securities services, and investment management. Goldman, Sachs & Co. was founded in 1869.

Headquarters: New York, NY

Founded: Goldman Sachs Asset Management, L.P. was founded in 1988

Lead managers: Ben Barber and Scott Diamond



**Asset
Management**

Asset class: Fixed income

Investment focus: Municipals

Number of holdings: 400-700

*See definitions on page 6.

Manager profile

Goldman Sachs Asset Management, L.P. (GSAM) was added to the Tax-Exempt Bond Fund in 2017. Their strategy is led by Ben Barber and Scott Diamond. They are supported by a well-resourced and experienced analyst and portfolio management team.

What this manager brings to the Fund

GSAM brings a total-return municipal bond approach to the Fund that incorporates a combination of top-down and bottom-up ideas to generate returns, in addition to tax-loss harvesting strategies to seek to optimize after-tax returns. Russell Investments believes GSAM has a strong understanding of market technicals and how other municipal managers operate, which has the potential to bolster the Fund's peer-relative performance.

Investment process

From a top-down perspective, GSAM's portfolio strategy incorporates analysis of the broad fixed income market environment, shape of the yield curve, economic and sector trends, and U.S. politics. GSAM monitors mutual fund flows, peer net asset values, and buy/sell ratios in an effort to predict the direction of rates or sector impacts and to decide how to best position their portfolio. From a bottom-up perspective, GSAM's analysts uncover opportunities within revenue sectors across states and all layers of the capital structure.

Russell Investments' manager analysis

Russell Investments has high conviction in GSAM due to their demonstrated willingness and ability to take risk to generate excess returns in the investment grade municipal bond space. Russell Investments believes GSAM has a solid understanding of federal and state political issues that may impact the municipal market and can use this insight to their advantage within their strategy.

Russell Investments believes GSAM's strength in incorporating strategies based on market technicals should complement MacKay's fundamental approach. Both MacKay and GSAM can be expected to be opportunistic in bottom-up security selection in periods of volatility and/or political stress.

While Russell Investments has strong conviction in GSAM's security selection capabilities, they may underperform during material market sell-offs.

MacKay Shields LLC

Firm background

MacKay Shields LLC offers a range of fixed income related strategies and solutions for a wide array of global clients including pension funds, government and financial institutions, family offices, high net worth individuals, endowments and foundations, and retail clients.

Headquarters: New York, NY

Founded: 1939

Lead managers: Robert DiMella and John Loffredo



Asset class: Fixed income

Investment focus: Municipals

Number of holdings: 4500-800

*See definitions on page 6.

Manager profile

MacKay Shields LLC (MacKay) was added to the Tax-Exempt Bond Fund in 2013. Russell Investments has been following the two lead managers, Robert DiMella and John Loffredo, since 2006 when they were with another money management firm.

What this manager brings to the Fund

MacKay's size allows it to be nimble in generating and executing compelling investment ideas in a timely manner. The firm will take on relatively aggressive position sizes relative to the benchmark and will also hold lower- and non-rated securities when attractive market opportunities exist.

Investment process

MacKay follows a fundamental investment approach that focuses on sector and state relative value decision making. The firm will take on relatively aggressive position sizes relative to the Fund's benchmark to express those views and will go down in credit rating to express bullish views more so than many competitors.

Russell Investments believes MacKay also has strong capabilities in lower-rated, including high yield, credit selection, which is expected to provide the Fund more flexibility to opportunistically take up credit risk if valuations become attractive during market sell offs.

Russell Investments' manager analysis

Russell Investments believes that MacKay's small size and tendency to hold less consensus views are intriguing characteristics that should help them outperform in the long run.

Russell Investments believes MacKay's fundamental approach should complement GSAM's strength in incorporating strategies based on market technicals. Both MacKay and GSAM can be expected to be opportunistic in bottom-up security selection in periods of volatility and/or political stress.

Russell Investments believes MacKay should do well when spreads on lower quality bonds are tightening or remain flat. Russell Investments expects MacKay to face headwinds when lower quality bonds (BBB and BB) spreads are widening and high yield municipals underperform.

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

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.

Managing the liquidity reserve

Every Russell Investments mutual fund maintains cash reserves, which is cash awaiting investment or held to meet redemption requests or to pay expenses. Russell Investments may increase or decrease the Fund's cash reserves to seek to achieve the desired risk/return profile for the Fund, or in anticipation of a transition to a new money manager or large redemptions resulting from rebalancing by asset allocation programs.

RIM invests the Fund's cash in short-term investments, including tax-exempt variable rate demand notes (VRDNs) and/or an unregistered cash management fund advised by RIM. The Fund usually, but not always, seeks to limit the effect of holding cash reserves on its exposures by investing in pre-refunded municipal bonds to provide it with longer duration exposure. RIM may choose to invest in pre-refunded municipal bonds to manage fund exposures in order to seek to achieve the desired risk/return profile for the Fund. Pre-refunded municipal bonds are tax-exempt bonds that have been refunded to a call date prior to the maturity of principal and remain outstanding in the municipal market. Principal and interest payments on pre-refunded municipal bonds are funded from securities in designated escrow accounts holding U.S. Treasury securities or other obligations of the U.S. government and its agencies and instrumentalities.

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:**

Municipal bonds and notes – Debt securities issued by a state, municipality, or county to finance its capital expenditures.

Treasuries – Also known as “government securities” treasuries are a debt obligation of a government and are backed by the government, so are considered low-risk.

Money managers listed are current as of June 10, 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.

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.

A portion of the interest return of tax-exempt mutual funds may be subject to the Alternative Minimum Tax and/or any applicable state and local taxes.

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

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.

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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