

TAX-EXEMPT HIGH YIELD 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 High Yield Bond Fund hires managers that are experts in high yield municipal debt securities. The Fund seeks to provide a high level of current income that is exempt from federal tax, and as a secondary objective, total return. The Fund will invest, under normal circumstances, at least 80% of the value of its assets in investments whose income is exempt from federal income tax. In terms of quality, the Fund's exposure will primarily focus on medium to low quality municipal debt securities. The Fund may invest up to 20% of the value of its assets in municipal debt securities, the interest on which is subject to the alternative minimum tax.

The municipal market, especially the high yield municipal market, is inefficient and complex given the large number of issuers and lower liquidity. Hence, strong security selection and trading capabilities are key to exploiting market inefficiencies in a cost-effective manner. The Fund employs managers who Russell Investments believes possess such qualities, as determined through the manager research process.

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.	50%
MacKay Shields LLC	50%



*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.

Not FDIC Insured - May Lose Value - No Bank Guarantee

Tax-Exempt High Yield Bond Fund

Managers and Strategies Summary

June 2019

NAME	ALLOCATION	INVESTMENT FOCUS	ROLE	DETAILS OF ROLE IN THE FUND
 Goldman Sachs Asset Management	50%	Uses bottom up investment strategies focused on identifying inefficiencies or informational advantages.	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	50%	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 high yield 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: High yield municipal

Number of holdings: 500-1,000

*See definitions on page 6.

Manager profile

Russell Investments added Goldman Sachs Asset Management, L.P. (GSAM) to the Tax-Exempt High Yield Bond Fund at its launch in 2015. The senior investment team has worked together for more than 13 years and is supported by a well-resourced and experienced analyst and portfolio management team.

Investment process

Goldman uses bottom up investment strategies focused on identifying inefficiencies or informational advantages. The team of experienced research analysts and veteran portfolio managers works efficiently and diligently to seek to exploit mispricing in the municipal market.

Per GSAM's team structure, portfolio managers are also responsible for trading to help ensure that price discrepancies can be utilized and to minimize the time lag between portfolio management decisions and trading. The analysts sit on the trading floor, which Russell Investments believes provides a better market sense than the average municipal team.

Russell Investments believes the firm's willingness to invest in a broad range of municipal sectors is an advantage relative to peers, who may have a more limited focus. While sector selection is considered a secondary source of return, the team is willing to invest in specific sectors, including hospital, land, and special assessment, among others.

Russell Investments' manager analysis

Russell Investments considers the GSAM investment team to be a strong, tenured, cohesive group with the ability to perform deep fundamental credit research across a variety of municipal sectors. The nimbleness of the team should allow the firm to exploit the inefficiencies of the municipal sector when or where possible.

GSAM tends to have a modestly heavier credit focus than the average peer within municipals, which Russell Investments believes will pay off over time with skillful security selection. During times of spread widening, Russell Investments expects GSAM to modestly underperform.

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: Michael Petty



Asset class: Fixed income

Investment focus: High yield municipal

Number of holdings: 200-500

*See definitions on page 6.

Manager profile

Russell Investments added MacKay Shields LLC (MacKay) to the Tax-Exempt High Yield Bond Fund at its launch in 2015. The MacKay team is an experienced team where the majority of its team members have 20+ years of experience in the municipal market. Most of the team has worked together at some point in the past at prior investment firms before reuniting at MacKay Shields.

Investment process

MacKay is a fundamental and relative value focused manager that seeks to exploit inefficiencies in the high yield municipal market. Furthermore, the work environment at MacKay is collegial and intimate, which is conducive to effective information sharing among team members and timely execution of short-lived trading opportunities.

Russell Investments has a favorable view on MacKay's research-driven security selection process and ability to generate creative trade ideas. MacKay also employs a general macro approach by taking into consideration high level drivers of municipal market performance, such as trends/changes in municipal investor demand, economic environment, tax laws, and political developments.

MacKay's investment style is generally more contrarian in nature, taking advantage of select opportunities in underperforming sectors or securities that may be out of favor with the broader municipal market investor base. MacKay also adds value by leveraging its specialized municipal knowledge in segments of the market less understood by other investors, leading to potentially attractive investment opportunities.

The municipal high yield market is less liquid than the investment grade municipal market, notably in non-rated issuers. MacKay may underweight the non-rated sector of the market to seek to avoid some of the illiquidity risks.

Russell Investments' manager analysis

Russell Investments considers MacKay a high confidence manager whose size and tendency to hold less consensus views are seen as intriguing elements to what the firm brings to the table.

MacKay tends to underweight non-rated bonds and offsets this underweight through a higher allocation to high yield bonds relative to peers. Russell Investments would expect that if the non-rated sector outperforms, MacKay may underperform peers or vice versa. As a whole, nimble security selection should otherwise prevent any other major biases over multiple market cycles.

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.

***Focus definitions:**

High yield municipal bonds – 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 volatility and higher risk of default than investment grade bonds.

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.

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.

Russell Investments cannot provide tax advice. Please consult a tax consultant for further questions and/or prior to investing.

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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