

SHORT DURATION BOND FUND

Money Manager and Russell Investments Overview



January 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 Short Duration Bond Fund's managers focus on the shorter end of the yield curve, which results in an overall lower level of interest rate sensitivity (i.e., duration) versus intermediate or longer duration fixed income funds. In addition, this Fund has quality and sector restrictions that are designed to manage risk while at the same time allow the Fund to achieve a competitive yield. The money 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 (as compared to the equity market) and the proliferation of new types of securities requires a deep understanding of this complex market. Russell Investments can augment money managers' mandates to allow those with the right capabilities to purchase new kinds of instruments. This can add value to the Fund. Similarly, Russell Investments can adjust managers' guidelines and restrictions should conditions warrant it. The Fund's benchmark is the ICE BofAML US Treasuries 1-3 Year Index.

Money manager skill set (as of January 2019) See skill set definitions on page 7.

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	Mortgage-backed securities	Corporate bonds	High yield bonds	Emerging market debt	Currency	Bank loans
Logan Circle			•	•			
Scout		•	•	•			
THL							•

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 Russell Investments London office from 2011 to 2016. Albert joined the firm in 2007.

Gerard Fitzpatrick is Russell Investments' chief investment officer for fixed-income portfolios. Prior to this, Gerard was a portfolio manager on the fixed income team, 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
Logan Circle Partners, L.P.	35%
Scout Investments, Inc.	30%
THL Credit Advisors LLC	10%
Russell Investment Management, LLC (RIM)*	25%

*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.

Short Duration Bond Fund

Managers and Strategies Summary

January 2019

NAME	ALLOCATION	INVESTMENT FOCUS	ROLE	DETAILS OF ROLE IN THE FUND
 Logan Circle Partners	35%	Focuses on bottom-up security selection, rotating between different sectors as relative value is found.	Generalist	This small, nimble manager employs a decision-making structure that is expected to allow it to add value via security selection. Russell Investments views this manager as the more aggressive risk taking manager in the Fund.
 Scout Investments	30%	Follows a top-down, macro-economic approach to investing in the fixed income market.	Generalist	Scout is willing to be aggressive on both sides of the market cycle, a trait that Russell Investments rarely finds in a fixed income manager. The firm fills a strong sector rotator role in the Fund.
 THL Credit	10%	Incorporates a four-dimensional investment approach: top-down analysis, bottom up research, qualitative analysis and quantitative analysis.	Specialist	THL invests solely in U.S. bank loans (a.k.a. “leveraged loans”). The firm’s strategy generally has a balanced emphasis on both liquid issuers and smaller cap companies, which is expected to allow its portfolio to perform in both up and down markets relative to the broad bank loan market.
Russell Investment Management, LLC	25%	Utilizes three strategies, a currency overlay strategy, a passive treasury strategy, and a global high real yield strategy.	Positioning strategies	Russell Investments oversees all investment advisory services to the Fund and manages assets not allocated to money managers. This includes the Fund’s currency overlay strategy, passive treasury strategy, and global high real yield strategy, which help the Fund to achieve its desired risk/return profile. Russell Investments 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 cited on the left).

Logan Circle Partners, L.P.

Firm background

Logan Circle Partners, L.P. was founded in 2007 as a privately held partnership; in 2010 the firm was acquired by Fortress Investment Group. Logan Circle offers actively managed investment solutions across a broad spectrum of fixed income strategies that can be customized to meet clients' specific and unique objectives.

Headquarters: Philadelphia, PA

Founded: 2007

Lead manager: Andrew Kronschnabel, CFA



Asset class: Fixed income

Investment focus*: Corporate bonds and high yield bonds

Number of holdings: 300-600

*See definitions on page 7.

Manager profile

While Logan Circle Partners, L.P. (Logan Circle) is a relatively new firm (founded in 2007), the majority of its investment professionals have worked as a team for several years at two other firms. This investment team has been responsible for managing assets of the Short Duration Bond Fund since 2002 (when the investment professionals were with another firm).

What this manager brings to the Fund

This small, nimble manager employs a decision-making structure that is expected to allow it to add value via security selection. Russell Investments views this manager as the more aggressive risk taking manager in the Fund.

Investment process

Logan Circle believes the markets regularly misprice securities that are exposed to credit, prepayment and liquidity risks. To attempt to capitalize on these inefficiencies and provide investors with an opportunity for excess return, Logan Circle focuses on optimal security selection, emphasizes spread sectors, and constructs portfolios with attractive risk/reward characteristics.

This manager tends to focus its risk on credit (both investment and non-investment grade) and, to a lesser extent, high quality securitized credit. However, in terms of sector allocation, Logan Circle generally allocates less to credit compared to a longer duration mandate. In addition, it also usually has a relatively higher allocation to high quality, short duration consumer-related securities such as those backed by credit card and automobile loans. While derivative usage and global investment are less important in its process, Logan Circle does have the capability to implement them in its strategies.

Interest rate and yield curve management exposures tend to be tactical and are usually not significant drivers of excess return. As such, Logan Circle tends to track close to the Fund's benchmark in terms of duration. Given the short duration nature of this Fund, Logan's portfolio will tend to have less interest rate sensitivity as compared to intermediate-term mandates.

Russell Investments' manager analysis

Though the firm was founded in 2007, Russell Investments has been covering the investment team since its earlier days at the other firms. This small, nimble manager is expected to add value in the security selection process. Logan Circle brings to the Fund a bottom-up, issuer specific evaluation approach, which is intended to complement the top-down, macro-economic processes of the other managers in the Fund. It attempts to find value in out-of-favor sectors and securities.

Russell Investments expects this manager will do well when idiosyncratic risk is rewarded, while weaker performance should be expected of this manager when macro-economic themes drive market performance. Given the aggressiveness of this manager, it will also likely underperform when risk is not rewarded.

Scout Investments, Inc.

Firm background

Scout Investments, Inc., a global asset manager headquartered in Kansas City, MO, manages equity and fixed income investment strategies for institutions and individual investors. Scout is a subsidiary of UMB Financial Corporation.

Headquarters: Kansas City, MO

Founded: 1982

Lead manager: Mark Egan, CFA



Asset class: Fixed income

Investment focus*: Sector rotation

Number of holdings: 75-150

*See definitions on page 7.

Manager profile

Scout Investments, Inc. (Scout) was added to the Short Duration Bond Fund in 2014. Scout's fixed income strategies are managed by Reams Asset Management (Reams), a division of Scout based in Columbus, IN, which was acquired by Scout in 2010. Reams has managed fixed income portfolios for institutional clients since its founding in 1981. Russell Investments has been researching Reams' fixed income capabilities since 1998.

What this manager brings to the Fund

Scout is willing to be aggressive on both sides of the market cycle, a trait that Russell Investments rarely finds in a fixed income manager. The firm fills a strong sector rotator role in the Fund.

Investment process

Scout takes a top-down, macro-economic approach to investing in the fixed income market. The firm's investment strategy seeks to maximize total return, minimize risk, and preserve capital utilizing all sectors of the fixed income market. The firm is able to actively sector rotate in an aggressive fashion and may use duration and yield curve tilting strategies but less aggressively than they would in their longer duration strategies given a greater focus on downside risks in their low duration strategies. Scout is a small and nimble firm, which Russell Investments believes contributes to its ability to execute this strategy effectively. The firm's defensive approach to underlying security selection also leads to a bias toward running a more liquid portfolio, allowing the firm to actively move investments around according to their macro views even in stressed market environments.

Scout's investment process is lead by Mark Egan who has been with this team since 1990. Mark touches on all the key portfolio decisions, but is primarily responsible for macro positioning on interest rates and sectors. Scout has a team of 12 additional investment professionals. Robert Crider and Thomas Fink, each with more than 25 years of investment experience, act as a sounding board and co-idea generators with Mr. Egan on top-down positioning.

Russell Investments' manager analysis

Scout has a long history of successfully managing market turns, and the firm tends to identify and make its decisions early in the market cycle. Russell Investments believes Scout's strategy is valuable in multi-manager portfolios.

Russell Investments expects Scout to perform well when its macro view is correct in anticipating market turns. Scout is expected to face the strongest headwinds just before the turn of a cycle when they've moved early in anticipation of the market cycle.

THL Credit Advisors LLC

Firm background

THL Credit Advisors LLC is an alternative credit investment manager for both direct lending and broadly syndicated investments through public and private vehicles, collateralized loan obligations, separately managed accounts and co-mingled funds. THL is the credit affiliate of Thomas H. Lee Partners, L.P. (THL Partners), one of the oldest and largest growth-oriented private equity firms in the United States.

Headquarters: Boston, MA

Founded: Parent company THL Partners founded in 1974

Lead managers: Jim Fellows, CFA and Brian Good



Asset class: Bank loans

Investment focus*: Sector rotation

Number of holdings: 90-125

*See definitions on page 7.

Manager profile

THL Credit Advisors LLC (THL) was added to the Short Duration Bond Fund in 2014. Russell Investments has been following this manager since 2011, when it was known as McDonnell Investment Management. In 2012, the firm was purchased by THL Credit, Inc. The core members of the investment team have been working together since 1988.

What this manager brings to the Fund

THL invests solely in U.S. bank loans (a.k.a. "leveraged loans"). The firm's strategy generally has a balanced emphasis on both liquid issuers and smaller cap companies, which is expected to allow its portfolio to perform in both up and down markets relative to the broad bank loan market.

Investment process

THL's investment team incorporates a four-dimensional approach: top-down analysis, bottom up research, qualitative analysis and quantitative analysis. The top-down analysis incorporates THL's macro-economic view and view of an industry group. Bottom-up research focuses on individual credit analysis. The qualitative analysis provides a review of a firm's competitive position and a general review of the management of a given credit. Finally, the quantitative analysis utilizes a proprietary system to provide a credit and collateral score. This system is the cornerstone of THL's research.

The strategy's downside capture is expected to be lower than its upside capture considering the firm's security selection skill sets. The bottom-up approach could also lead to a performance pattern that exhibits low correlation to the manager's benchmark and to some of THL's larger peers

Russell Investments' manager analysis

Russell Investments believes the portfolio managers demonstrate thorough knowledge of the potential risks in their portfolios as well as of the bank loan asset class as a whole.

THL's relatively low asset base, combined with a deep and experienced investment staff, leads Russell Investments to believe that the firm may be able to identify potentially attractive investment opportunities in a timely manner and be able to act nimbly in the marketplace to reflect these ideas in the portfolio.

Given the significant credit risks in bank loans, THL is expected to perform well in stable to positive credit markets and perform poorly in broad credit market selloffs.

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

POSITIONING STRATEGIES

Asset class: Fixed income

Focus: U.S. Treasuries, short duration fixed income, currency

Range of holdings: 50-100

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.

Manager and strategy oversight

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 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.

The Fund currently uses three positioning strategies: a currency overlay strategy, a passive treasury index strategy, and a global high real yield strategy. The currency strategy uses currency forward contracts to take long and short positions in global foreign exchange markets, which may result in gains or losses for the Fund based on the movements of relative exchange rates. Russell Investments believes that a currency overlay strategy serves as a diversifier and another potential source of return in fixed income portfolios, especially in periods where the medium-term return outlook is more challenging for credit than it has been in the past. The passive treasury index strategy strives to generate performance consistent with 1-3 year U.S. treasuries. This strategy is designed to provide additional diversification and help balance the credit risk associated with the Fund's bank loan investments. Using futures, the global high real yield strategy will take long positions in high quality government bonds whose yields, net of forward-looking inflation, are expected to be relatively high. The strategy will also short interest rate risk by taking short futures positions where net-of-inflation yield is expected to be relatively low. This strategy serves as another potential return source and strives to improve diversification given its historically low correlations to both credit excess returns and currency factor returns. 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 contract 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 two years and effective maturities of up to six 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.

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 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.

Bank loans-- - Generally, loans issued to below investment grade companies that carry floating coupon payments.

Asset-backed Securities – consumer-related securities such as credit card and auto loans.

Sector Rotation – moving money from one or more sectors to one or more other sectors.

Money managers listed are current as of January 1, 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. In an effort to diversify and/or manage risk for the Fund, Russell Investments may incorrectly assess portfolio characteristics causing the fund to underperform.

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.

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

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.

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.

The BofA Merrill Lynch US Treasuries 1-3 Year Index is an index representative of coupon-bearing U.S. Treasury debt with terms to maturity of at least one year.

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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