

U.S. SMALL CAP EQUITY FUND

Money Manager and Russell Investments Overview



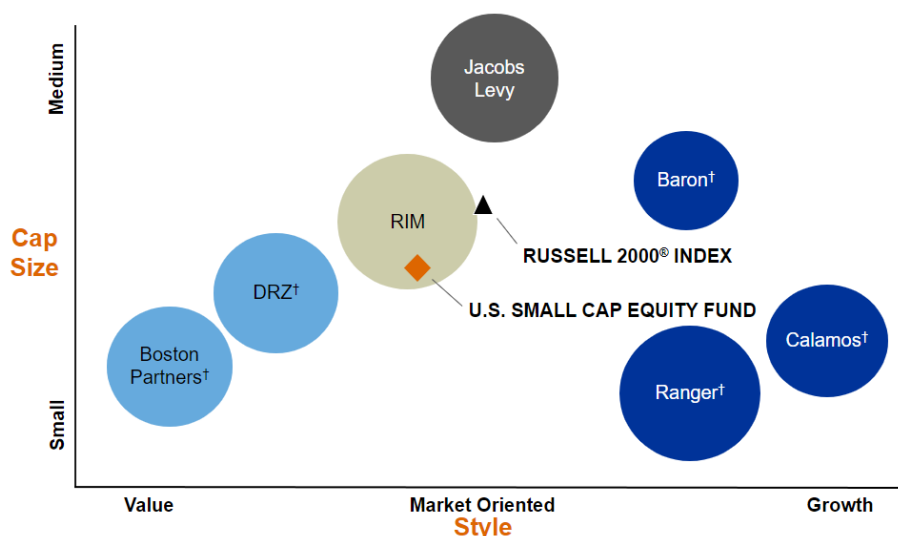
Russell Investments' approach

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 U.S. Small Cap Equity Fund includes managers that invest using many different investment styles, from looking for companies they believe have rapidly growing earnings to ones that may be undervalued. The managers in the Fund employ a variety of processes to arrive at an investment decision. There are quantitative managers as well as those that focus on a fundamental investment process. Some employ bottom-up security selection processes while others employ a top-down macro-economic evaluation process. The managers are blended together to create a Fund that Russell Investments believes takes advantage of the strengths of each process. In addition to the managers' strategies, Russell Investments manages a portion of the Fund's assets internally to seek to further enhance and diversify the Fund's investment strategies. The U.S. Small Cap Equity Fund's benchmark is the Russell 2000® Index.

Fund mosaic



Russell Investments portfolio managers

Megan Roach, CFA, is a Senior Portfolio Manager and serves as Head of Equity Portfolio Management for North America. She has responsibility for all of Russell Investments' U.S. small and large cap strategies and global small cap mandates. Prior to assuming portfolio management responsibilities, Megan served on the small cap manager research team from 2005 to 2015, including acting as head of research for the asset class starting in 2013. Megan holds a B.A. in Finance and an M.B.A. in Investment Management. Megan has been with Russell Investments since 2004.

The portfolio managers' role

The portfolio manager is responsible for identifying and selecting the strategies and money managers included in the Fund and determining the weight for each assignment. The portfolio manager manages 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 manager's disposal to help identify opportunities and manage risk.

†Indicated managers are non-discretionary managers. RIM manages these portions of the Fund's assets based upon model portfolios provided by the managers.

This mosaic depicts, at a specific point in time, the approximate relative weighting of the managers and strategies within the Fund plotted on the basis of cap size and style against fund benchmark (▲). Positions on this mosaic change over time as allocations and holdings change. The circle size represents the relative size of each allocation in the Fund.

U.S. Small Cap Equity Fund

Managers and Strategies Summary & 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. RIM may change a Fund's asset allocation at any time, including not allocating Fund assets to one or more money manager strategies.

FIRM NAME	TARGET ALLOCATION	INVESTMENT FOCUS	ROLE	DETAILS OF FUND ROLE
Ancora Advisors, LLC†	0%	Invests in micro and small cap special situations such as corporate restructuring and spinoffs, under-followed companies, and franchise stocks selling at temporary discounts.	Market-oriented	Ancora is opportunistic in seeking companies that are in special situations. The strategy focuses on market inefficiencies that the firm believes to be persistent and potentially lucrative within the U.S. small cap space.
BAMCO, Inc.†	5%	BAMCO, Inc. (Baron) has a fundamental, bottom-up, and research driven investment approach. They identify small cap biotechnology companies with a focus on companies with above-industry sales growth and revisions as well as above-industry balance sheet leverage and price volatility.	Growth	Baron plays a specialist role in focusing primarily on selecting U.S. small cap biotechnology stocks with larger weights focused on later stage companies, diversification by investment themes/stages of clinical trials, and limited exposure to early stage/single drug companies.
Boston Partners Global Investors, Inc.†	14%	Boston Partners invests in small and microcap companies selling at attractive valuations with near-term revenue-based catalysts.	Value	Boston Partners pursues small and microcap companies on the cusp of positive change at attractive valuations. The team seeks to exploit market anomalies through identifying what is believed to be under-appreciated companies and has the ability to mitigate opportunity cost by successfully identifying timely revenue-based catalysts and managing position sizes accordingly.
Calamos Advisors LLC†	7%	Calamos seeks to identify companies it expects will have high earnings and revenue growth in the near term, experience positive earnings surprises and revisions, and experience positive market sentiment (momentum).	Growth	Calamos brings dedicated earnings momentum and growth exposure to the fund. Russell Investments believes this investment philosophy and process is particularly powerful in the U.S. small cap market and will provide an appropriate complement to the existing manager line-up.
Copeland Capital Management, LLC†	0%	Invests in small cap companies with a history of strong dividend growth.	Market-oriented	Russell Investments believes dividend growth strategies can be effective in the U.S. small cap market, and that Copeland is especially skilled at identifying which companies are more likely to sustain their historical dividend growth.
DePrince, Race & Zollo, Inc.†	18%	Invests in small cap companies with above-average dividend yield that have a catalyst for near term improvement.	Value	DRZ is a yield-focused value manager that has a strong track record of skillfully rotating the portfolio in response to evolving valuation opportunities.
Jacobs Levy Equity Management, Inc.	15%	Invests in small cap companies that are forecast to outperform based on the firm's proprietary, multi-dimensional quantitative investment approach.	Market-oriented	Jacobs Levy has a strong commitment to ongoing research and innovation, which is motivated by the team's belief that continual process enhancement is critical for long-term success.
Penn Capital Management Company, LLC†	0%	Focuses on micro and small cap companies where the firm's credit analysis shows as an early indication of improving fundamental trends.	Market-oriented	Penn seeks to exploit inefficiencies between the equity and debt markets that are often ignored by traditional equity investors. This can allow Penn to identify attractive companies before equity market participants.
Ranger Investment Management, L.P.†	18%	Invests in growing, what the manager believes to be high quality, high-recurring revenue U.S. companies that can be purchased at attractive valuations.	Growth	Ranger believes good companies generate consistent positive earnings, which ultimately drive stock prices. They believe that structural inefficiencies are inherent in the small/micro capitalization segment of the equity market—and these inefficiencies can be taken advantage of through fundamental, bottom-up analysis.

†Indicated managers are non-discretionary managers. RIM manages these portions of the Fund's assets based upon model portfolios provided by the managers.

U.S. Small Cap Equity Fund

Managers and Strategies Summary & 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. RIM may change a Fund's asset allocation at any time, including not allocating Fund assets to one or more money manager strategies.

FIRM NAME	TARGET ALLOCATION	INVESTMENT FOCUS	ROLE	DETAILS OF FUND ROLE
Russell Investment Management, LLC (RIM)**	23%	Directly manages an active, model-based positioning strategy to manage the Fund's overall exposures to seek to maintain the Fund's preferred positioning.	Positioning Strategies and Cash Reserves	RIM oversees all investment advisory services to the Fund and manages assets not allocated to money managers. This includes the Fund's positioning strategy, which helps the Fund to achieve its desired risk/return profile. RIM also manages the Fund's liquidity reserve.

**RIM manages Fund assets not allocated to money manager strategies by utilizing quantitative and/or rules-based processes and qualitative analysis to assess Fund characteristics and invest in securities and instruments, which provide the desired overall Fund exposures. RIM also manages the Fund's cash balances and cash reserves. RIM generally seeks to obtain market exposure for this cash that corresponds to the Fund's benchmark exposures, but RIM may also reduce the Fund's market exposure and/or utilize the Fund's liquidity reserve to manage overall Fund exposures.

U.S. Small Cap Equity Fund

Ancora Advisors, LLC

Firm background

Ancora Advisors, LLC is an employee-owned investment advisory firm. Ancora offers comprehensive investment solutions for institutions and individuals in the areas of fixed income, equities, global asset allocation, alternative investments and retirement plans.

Headquarters: Cleveland, OH

Founded: 2003

Lead manager: Dan Thelen, CFA

Asset class: U.S. equity

Number of holdings: 50-75

Capitalization level: Micro and small cap

Sub-style: Special situations

Manager profile

Ancora Advisors, LLC (Ancora) was added to the U.S. Small Cap Equity Fund in 2014. Dan Thelen is the portfolio manager leading this small cap strategy. He is based in Ancora's Birmingham, MI office.

What this manager brings to the Fund

Ancora is opportunistic in seeking companies that are in special situations such as corporate restructuring and spinoffs, companies emerging from bankruptcy, under-followed companies, and franchise stocks selling at temporary discounts.

Investment process

Ancora's strategy focuses on market inefficiencies that the firm believes to be persistent and potentially lucrative within the U.S. small capitalization space. Ancora attempts to take advantage of short-term stock price dislocations that may arise through periods when market trading volumes are thin (e.g. around holidays). In evaluating these special situations, Ancora screens on key growth and profitability factors including returns on capital, long-term demonstrated growth rates and cash flow returns on equity. The investment team further screens based on each company's valuation relative to its industry.

Ancora reviews the holdings periodically on a bottom-up basis to ensure they are consistent with Ancora's view of the economy on a top-down basis. During the research and due diligence process, the portfolio manager and the analysts will talk with company management, customers and suppliers to better understand the company's prospects.

Russell Investments' manager analysis

Dan Thelen has 15+ years' experience as a micro-mid cap investor and Russell Investments believes the environment at Ancora provides him with an unencumbered opportunity to focus on generating excess returns. Thelen is, in Russell Investments' view, among the top tier of investors in terms of passion, focus on performance and continuous process improvement. Thelen's focus on special situations and intense performance orientation stood out to Russell Investments immediately during the first research meeting in 2013 and this drove Russell Investments' prioritization to become one of the first institutional investors in his strategy in 2014.

Given Ancora's focus on special situations rather than a defined growth or value-oriented substyle, the most favorable market environments are expected to be those not dominated by extreme factor payoffs, for example, when value or growth stocks dramatically outperform or underperform the broader market. Overall, the portfolio's factor exposures tend to be moderate, leading to security selection accounting for the greatest portion of excess returns over a market cycle.

U.S. Small Cap Equity Fund

BAMCO, Inc.

Firm background

BAMCO, Inc. (Baron) was founded in 1982 by Ron Baron, the Firm's CEO and head of the investment team. Baron employs a fundamental, bottom-up, and research driven investment approach.

Headquarters: New York, NY

Founded: 1982

Lead managers: Neal Kaufman and Josh Reigelhaupt

Asset class: U.S. equity

Number of holdings: 40-50

Capitalization level: Small cap

Sub-style: Biotechnology

Manager profile

BAMCO, Inc. (Baron) was added to the U.S. Small Cap Equity Fund in 2021. Portfolio managers Josh Riegelhaupt and Neal Kaufman are responsible for all investment decisions. Riegelhaupt and Kaufman work collaboratively with the research analysts to generate ideas, evaluate businesses, and formulate investment decisions.

What this manager brings to the Fund

Baron's investment philosophy and process, based on fundamental investing, has been developed over time and successfully applied to different markets and different asset classes. Their research driven approach, active management style, and stock selection process have resulted in long-term outperformance, and Russell Investments expects this approach will continue to be favorable in the future.

Investment process

Baron has a fundamental, bottom-up, and research driven investment approach. They identify companies they believe have strong fundamentals, regardless of the macroeconomic environment, and invest for the long term. It is highly important for them to review a company's future growth potential, not just its current valuation. Baron searches for companies with unique business models and invests in them when their prices are below their estimates of intrinsic value. For selecting biotechnology investments specifically, Baron focuses on business that solve problems, whether by reducing costs, enhancing efficiency, and/or improving outcomes. Secular growth themes represented in Baron's portfolio include genomics, innovative new drugs, drug development software and technology platforms, synthetic biology, and antibody technologies.

Russell Investments' manager analysis

Baron utilizes a fundamental approach to constructing a 40-50 stock portfolio of companies within the U.S. small cap biotechnology industry with a focus on those with above benchmark sales growth and revenue revisions as well as below benchmark balance sheet leverage and price volatility. Investments are typically made with a three-year horizon, resulting in moderate annualized turnover of 35-45%. Baron's focus on growing companies with better quality characteristics is intended to help mitigate downside risk versus the benchmark. The team adheres to a thoughtful positioning sizing methodology with larger weights focused on later stage companies, diversification by investment themes/stages of clinical trials, and limited exposure to early stage/single drug companies.

Boston Partners Global Investors, Inc.

Firm background

Boston Partners Global Investors, Inc. is an SEC-registered investment adviser consisting of three investment divisions: Boston Partners, Weiss, Peck & Greer, and Redwood, each offering distinctive investment capabilities.

Headquarters: Boston, MA

Founded: 1995

Lead manager: Richard Shuster, CFA

Asset class: U.S. equity

Number of holdings: 140-160

Capitalization level: Small and micro-cap

Sub-style: Deep value

Manager profile

Boston Partners Global Investors, Inc. (Boston Partners) was added to the U.S. Small Cap Equity Fund in 2015. Richard Shuster is the senior portfolio manager who is backed by a skilled investment team whose members have worked together since 1999.

What this manager brings to the Fund

Boston Partners pursues small and micro-cap companies on the cusp of positive change at attractive valuations. The team seeks to exploit market anomalies through identifying what is believed to be under-appreciated companies. Russell Investments believes Boston Partners has the ability to mitigate opportunity cost by successfully identifying timely revenue-based catalysts and managing position sizes accordingly.

Investment process

Boston Partners focuses on finding undervalued, quality companies in value sectors. Boston Partners believes that hands-on, proprietary fundamental research can uncover undervalued companies in value sectors to seek to achieve long-term returns. The team meets with 600+ companies each year to fully understand their business strategy, the strength of leadership, and the company's products, markets and customers.

Boston Partners seeks companies that are experiencing above-average and increasing levels of return on invested capital as well as those that are priced below normalized historical valuations. The team prefers to identify timely revenue-based catalysts but will invest early given conviction in long term prospects, valuation, and potential for downside mitigation. Idea generation is strong with a significant number of new ideas coming from company meetings and the team's existing network of industry contacts.

Russell Investments' manager analysis

Russell Investments believes two key drivers of Boston Partners' success include the lead manager, Richard Shuster, who Russell Investments believes to be an experienced and talented small and micro-cap investor. The team has cultivated an autonomous and performance-oriented culture that Russell Investments finds appealing.

Boston Partners' strategy is a deep value approach to picking small and micro-cap securities. This tends to have a contrarian flavor so market environments that favor higher momentum and growth stocks will tend to be a challenge for this manager. Boston Partners is expected to perform better in market environments that favor value stocks.

U.S. Small Cap Equity Fund

Calamos Advisors LLC

Firm background

Calamos Advisors is a registered investment adviser offering a broad mix of investment strategies, including the Milwaukee-based Timpani team which is focused exclusively on small to midcap cap growth investing.

Headquarters: Naperville, IL

Founded: 1977

Lead manager: Brandon Nelson

Asset class: U.S. equity

Number of holdings: 80-120

Capitalization level: Small cap

Sub-style: Earnings momentum

Manager profile

Calamos Advisors LLC (Calamos) was added to the U.S. Small Cap Equity Fund in 2016. Co-founder of the predecessor firm Timpani Capital Management LLC, Brandon Nelson, leads the strategy used in the Fund.

What this manager brings to the Fund

Calamos brings dedicated earnings momentum and growth exposure to the Fund. Russell Investments believes this investment philosophy and process is particularly powerful in the U.S. small cap market and will provide an appropriate complement to the existing manager line-up.

Investment process

Calamos seeks to identify companies it expects will have high earnings and revenue growth in the near term, experience positive earnings surprises and revisions, and experience positive market sentiment (momentum). The team seeks to take advantage of the behavioral inefficiencies created from overreactions by investors to changes in earnings. The process favors stocks with positive revisions to earnings, sales, and operating margins, and strong cash flow and limited debt to fund growth.

Brandon and his team have displayed a high level of awareness regarding risk management and position sizing, which Russell Investments believes will benefit the fund in the form of strong index-relative returns over a market cycle.

Russell Investments' manager analysis

Brandon Nelson managed a similar product at previous firms before founding Timpani in 2008, which was acquired by Calamos in 2019. Russell Investments has followed Brandon since 2005. Brandon is supported by two research analysts. The team dynamics within the Timpani team are very collegial, and the entire team is committed to the investment philosophy and process which is exclusively focused on small to midcap growth investing. Russell Investments views these attributes as highly conducive to investment team stability and a clear alignment of long-term performance incentives between the investment professionals and clients.

Russell Investments believes Calamos provides reliable earnings momentum exposure and its strategy is expected to benefit from environments rewarding high relative strength and forecasted growth. Calamos will likely struggle in markets led by dividend yield.

Copeland Capital Management, LLC

Firm background

Copeland Capital Management, LLC is a boutique investment management firm specializing in dividend growth investing. The firm manages portfolios for high-net-worth individuals and many types of institutions, including corporate pension plans, educational and religious endowments, charitable foundations, health care institutions, and municipalities.

Headquarters: Conshohocken, PA

Founded: 2005

Lead manager: Mark Giovanniello, CFA

Asset class: U.S. equity

Number of holdings: 40-45

Capitalization level: Small cap

Sub-style: Consistent dividend growth

Manager profile

Copeland Capital Management, LLC (Copeland) was added to the U.S. Small Cap Equity Fund in 2013. Mark Giovanniello is the firm's CIO and is the key decision-maker, backed by a robust investment team.

What this manager brings to the Fund

Russell Investments believes dividend growth strategies can be effective in the U.S. small cap market, and that Copeland is especially skilled at identifying which companies are more likely to sustain their historical dividend growth.

Investment process

Copeland's strategy generally invests in domestic companies with market capitalizations between \$250 million and \$2 billion that have historical track records of consistent dividend growth. Dividend growth is more important to the strategy than the absolute level of dividends.

Copeland believes that a company's dividend growth rate is a significant driver of its total return. Strategy holdings are selected using a proprietary multi-factor quantitative model. The model seeks companies with a history of consistent dividend increases and financial stability that Copeland believes will continue. The highest-ranking names are then evaluated through a fundamental research process.

The investment process is collaborative and typically includes every member of the investment team. Each analyst has specific sector coverage responsibility. The team meets on a daily basis to discuss current holdings in the portfolio, pertinent macro-economic and geopolitical news, and trading recommendations, if any. Every team member provides input in determining the names that are included in the portfolio. The portfolio manager, Mark Giovanniello, has the final decision in determining names for inclusion as well as portfolio weights.

Russell Investments' manager analysis

Copeland was founded in 2005 with a focus on U.S. large cap securities, but the hiring of Mark Giovanniello and launch of the firm's small to midcap strategies in 2009 catapulted those strategies to flagship status at the firm, which prompted Russell Investments to begin researching them in 2012. Russell Investments values Copeland's 100% employee-owned status as well as the uniqueness of its investment philosophy relative to small cap peers.

Copeland is expected to outperform when high dividend growth, higher quality factors (such as return on equity), and stocks with lower earnings variability and price volatility are rewarded. Copeland is expected to underperform in aggressive stock market rallies led by higher risk and volatility market segments.

U.S. Small Cap Equity Fund

DePrince, Race & Zollo, Inc.

Firm background

DePrince, Race & Zollo, Inc. is an employee-owned, boutique institutional asset management firm. The firm provides services to investment companies, pension and profit-sharing plans, pooled investment vehicles, corporations, foundations, endowments, hospitals, healthcare companies, public funds, unions, and Taft-Hartley plans.

Headquarters: Winter Park, FL

Founded: 1995

Lead manager: Greg Ramsby

Asset class: U.S. equity

Number of holdings: 70-90

Capitalization level: Small cap

Sub-style: Relative value with yield emphasis

Manager profile

DePrince, Race & Zollo, Inc. (DRZ) was added to the U.S. Small Cap Equity Fund in 2008. Greg Ramsby is the portfolio manager with a talented team of analysts supporting him.

What this manager brings to the Fund

DRZ is a yield focused value manager that has a strong track record of skillfully rotating the portfolio in response to evolving valuation opportunities.

Investment process

DRZ believes that a valuation-sensitive approach to dividend yield investing can provide downside mitigation and reduces total portfolio volatility. The firm also believes that dividend yield provides the most reliable valuation measure and offers concrete evidence of real earnings. DRZ's investment philosophy is based on the belief that undervalued stocks with an above-average dividend yield and the existence of an imminent fundamental catalyst provide the opportunity for total returns with reduced volatility.

This bottom-up process strives to identify companies with strong balance sheets where fundamentals are expected to improve. Sector and industry weights are a residual of the stock selection process, and the portfolio is expected to have significant sector deviations from the benchmark. DRZ will also rotate the portfolio through the market cycle in response to changing valuation and catalyst signals. DRZ does not necessarily seek the highest dividend yield stocks but is focused on identifying the best investment opportunities within the dividend paying universe of U.S. small cap companies.

Russell Investments' manager analysis

Russell Investments has been researching lead portfolio manager Greg Ramsby since 1996 when he was an analyst supporting firm founder John Race (the R in DRZ, now co-CEO) on the small cap strategy. Russell Investments views Greg' Ramsby's ability to adapt the portfolio to prevailing macroeconomic and market environments favorably and believes the firm has grown its micro and small cap asset to, but not beyond, a sustainable level to maintain that flexibility. Russell Investments has had a longstanding relationship with DRZ in its small cap products since 2002.

DRZ is generally expected to perform best in yield-oriented market environments where higher than average dividend yield trends exist in the market. DRZ will likely face headwinds in speculative markets when yield is not rewarded.

Jacobs Levy Equity Management, Inc.

Firm background

Jacobs Levy Equity Management, Inc. is an independent quantitative equity manager focused exclusively on U.S. equity portfolios.

Headquarters: Florham Park, NJ

Founded: 1986

Lead managers: Bruce Jacobs, Ph.D. and Ken Levy, CFA

Asset class: U.S. equity

Number of holdings: 300 or more

Capitalization level: Small cap

Sub-style: Market-oriented, 130/30 limited long/short strategy

Manager profile

Jacobs Levy Equity Management, Inc. (Jacobs Levy) was added to the U.S. Small Cap Equity Fund in 1995. Bruce Jacobs, Ph.D., and Ken Levy, CFA, have responsibility for the firm's investment process. They are supported by a team of highly experienced research professionals who are continually pursuing areas of potential enhancement to the process.

What this manager brings to the Fund

Jacobs Levy has a strong commitment to ongoing research and innovation, which is motivated by the team's belief that continual process enhancement is critical for long-term success.

Investment process

Jacobs Levy uses a proprietary multidimensional investment approach to evaluate a broad universe of U.S. equities, including the stocks in the Fund's benchmark. The process also considers each security's contribution to overall portfolio diversification. The ability to short up to 30% of the portfolio with the 130/30 strategy permits more meaningful security underweights in the strategy. This is expected to add value relative to a long-only assignment.

Jacobs Levy's investment approach is based on the belief that the market is a complex system and that intensive modeling, combined with human insight and intuition, finance and behavioral theory, and quantitative and statistical methods, can be used to identify and benefit from market inefficiencies.

The firm's security evaluation process entails sophisticated modeling of large numbers of stocks and proprietary factors using financial statements, security analyst forecasts, corporate management signals, economic releases, and security prices. Jacobs Levy believes that modeling based on reasonable, intuitive relationships between both fundamental and behavioral factors and stock prices results in a multidimensional security selection process that can offer deep analysis across a wide breadth of securities. The process is designed to be dynamic and forward-looking, which enables Jacobs Levy to adjust to the changing market environments and opportunities.

Russell Investments' manager analysis

Russell Investments has been following Jacobs Levy since 1989. Jacobs Levy has a strong commitment to ongoing research and innovation, which is motivated by the team's belief that continual process enhancement is critical for long-term success.

Based on Russell Investments' analysis, Jacobs Levy's strategy is expected to perform best when stocks with low valuations, stable earnings, and strong balance sheets outperform. The strategy is expected to underperform when the market is not rewarding valuation or measures of fundamental improvement.

Penn Capital Management Company, LLC

Firm background

Penn Capital Management Company, LLC is an independent, employee-owned, institutionally focused investment management firm.

Headquarters: Philadelphia, PA

Founded: 1987

Lead manager: Eric Green, CFA

Asset class: U.S. equity

Number of holdings: 60-100

Capitalization level: Micro and small

Sub-style: Total capital structure

Manager profile

Penn Capital Management Company, LLC (Penn) was added to the U.S. Small Cap Equity Fund in 2011. The small cap strategy used in this fund is led by Eric Green, who also serves as the CIO of Equity for the firm.

What this manager brings to the Fund

Russell Investments believes Penn's credit research expertise enables it to view a company from a unique perspective. Penn seeks to exploit inefficiencies between the equity and debt markets that are often ignored by traditional equity investors. This may allow Penn to identify attractive companies before equity market participants.

Investment process

Penn manages a customized blend of its small cap and microcap strategies for this Fund. For more than 20 years, Penn has maintained an integrated credit and equity research process. The firm believes that, at both a micro and macro level, credit markets can act as an early indication for trends in the equity markets. It believes that credit cycles typically drive economic cycles, and bond prices tend to lead equity prices.

The firm believes that its credit research expertise provides an advantage in the early identification of small, undiscovered companies. These companies with improving business fundamentals are expected to pay down debt, refinance at more favorable rates, or buy back company shares. Penn also identifies companies with strong balance sheets and a conservative cash flow profile.

Russell Investments believes that Penn's efforts to identify multiple catalysts driving a company's future earnings growth and prospective price appreciation potential differentiates it from peers. The focus on capital structure driven opportunities and the crossover of ideas from the high yield credit market are distinguishing elements of Penn's process.

Russell Investments' manager analysis

Russell Investments has been researching Penn's equity strategies since 2007. Penn employs a large team of portfolio managers and analysts who focus on analysis of each company's complete capital structure for potential investment in the debt and/or equity securities of each company. Russell Investments finds the firm's competitive culture to be a notable advantage versus peers of a similar size.

With a broad mix of both growth and value stocks, combined with an emphasis on multiple catalysts, Penn's strategy has the potential to perform well in a variety of market environments. A period of a prolonged capital market crisis where companies are unable to refinance or borrow may prove challenging for Penn's investment process, as will general equity market sell offs where higher volatility securities are out of favor.

U.S. Small Cap Equity Fund

Ranger Investment Management, L.P.

Firm background

Ranger Investment Management, L.P. manages growth-oriented domestic equities portfolios and accounts with the objective of capturing and compounding the returns available in the small- and mid-capitalization sectors.

Headquarters: Dallas, TX

Founded: 2003

Lead manager: Conrad Doenges

Asset class: U.S. equity

Number of holdings: 30-60

Capitalization level: Micro and small

Sub-style: Consistent growth

Manager profile

Ranger Investment Management, L.P. (Ranger) was added to the U.S. Small Cap Equity Fund in September 2019. Conrad Doenges leads this growth-focused assignment at Ranger.

What this manager brings to the Fund

Ranger's investments team brings a U.S. micro and small cap quality growth strategy to the Fund.

Investment process

Ranger's investment team searches for quality growth companies. They believe good companies generate consistent positive earnings, which ultimately drive stock prices. Ranger believes that structural inefficiencies are inherent in the small/micro capitalization segment of the equity market—and these inefficiencies can be taken advantage of through fundamental, bottom-up analysis. The investment team implements research-driven investment selection to seek to identify growing, high-quality, high-recurring revenue U.S. companies that can be purchased at attractive valuations.

In addition to the firm's extensive quantitative analysis, careful consideration is also given to qualitative analysis. Company visits and discussions with management are an extremely important part of Ranger's investment process and a prerequisite for investment. Ranger takes into consideration the judgment of the management team, accounting practices, corporate governance and the company's key differentiator prior to investment.

Ranger's investment team also deploys proprietary risk management measures, which the firm believes are equally important to the investment process as security selection. The firm monitors any change to a company's fundamentals to isolate securities that don't adhere to the firm's buy and sell discipline. This continual review process identifies potentially difficult stocks early and removes them before they significantly impact the portfolio.

Russell Investments' manager analysis

Russell Investments has high conviction in Ranger due to their well-defined and intuitively attractive consistent growth philosophy, depth of fundamental research and resulting ability to develop differentiated investment insights, as well as their objective sell discipline. Ranger applies a rigorous level of detail in understanding business models, a breadth of information sources utilized relative to peers, and a strong focus on assessing the sustainability of earnings and cash flow growth.

Ranger is likely to perform best in high-quality and low-earnings variability environments.

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, Russell Investments' management, and Hamilton Lane Incorporated. Russell Investments provides asset management and investment services to institutional and individual investors around the world.

Headquarters: Seattle, WA

Founded: 1936

POSITIONING STRATEGIES & CASH RESERVES

Asset class: U.S. equity

Number of holdings: 100-500

Capitalization level: Small cap

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 managers 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 managers believe 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 managers. 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 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 positioning strategy used in this Fund is a dedicated portion of the Fund assets that can be rebalanced as needed by the portfolio manager to keep the total portfolio aligned with Russell Investments' strategic beliefs (e.g. value, momentum, quality and volatility) as well as the Fund's preferred positioning. This allows the portfolio manager to express Russell Investments' views across multiple factor and industry exposures simultaneously while regularly adapting to changing markets and manager portfolios.

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 the performance of appropriate markets by purchasing equity securities and/or derivatives (also known as "equitization"), which typically includes index futures contracts. The Fund invests any remaining cash in an unregistered cash management fund advised by RIM.

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

IMPORTANT RISK DISCLOSURES

Mutual Fund investing involves risks, principal loss is possible.

Money managers listed are current as of August 1, 2022. 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.

Small capitalization (small cap) investments generally involve stocks of companies with a market capitalization based on the Russell 2000® Index. Investments in small cap, micro cap, and companies with capitalization smaller than the Russell 2000® Index are subject to the risks of common stocks, including the risks of investing in securities of large and medium capitalization companies. Investments in smaller capitalization companies may involve greater risks as, generally, the smaller the company size, the greater these risks. In addition, micro capitalization companies and companies with capitalization smaller than the Russell 2000® Index may be newly formed with more limited track records and less publicly available information.

Market-oriented investments are generally subject to risks similar to that of both growth and value style investing.

Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short term or have grown consistently over the long term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. Stock value may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that their intrinsic values may never be realized by the market, or, such stock may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

In a limited long/short strategy, although the Fund potential for gain as a result of a short sale is limited to the price at which it sold the security short less the cost of borrowing the security, its potential for loss is theoretically unlimited because there is no limit to the cost of replacing the borrowed security. The Fund will realize a gain if the security declines in price between those dates. The making of short sales exposes the Fund to the risk of liability for the market value of the security that is sold (the amount of which liability increases as the market value of the underlying security increases), in addition to the costs associated with establishing, maintaining and closing out the short position.

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.

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.

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.

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

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