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RUSSELL INVESTMENT COMPANY

2016 Russell LifePoints® Funds, *Target Portfolio Series* asset allocation changes

Investors are faced with many financial choices and decisions throughout their lifetimes. Working with an investment advisor as a guide on this journey is an important first step. Gaining access to globally diversified investment solutions that can help address your financial needs and goals is another vital component of a successful long-term plan.

Russell Investments has been one of the firms at the forefront of providing innovative, outcome-oriented, multi-asset investment solutions since 1985. Our approach includes identifying new potential investment opportunities, providing broad portfolio and fund diversification, and adjusting portfolio asset allocations when Russell's research and analysis indicates it is appropriate to do so.

We review the positions of our portfolios in relation to current market conditions, our capital markets forecasts and the asset class exposures relative to each Fund's Morningstar category on an ongoing basis to determine if asset allocation shifts could benefit investors' long-term outcomes.

Our recent analysis suggests that the Target Portfolio Funds' long and medium-term outlooks may benefit from an allocation adjustment. As a result, we will be incorporating these current views by making adjustments to the target allocations of the LifePoints® Funds, *Target Portfolio Series* on or about September 22, 2016. The changes strive to improve the return potential of these total portfolio solutions, while maintaining a focus on risk management.

The global financial markets are dynamic, never constant nor predictable. We are guided by our principles of providing investment solutions that are broadly diversified, implemented utilizing some of the world's leading money managers and strategies, and dynamically managed to reflect the realities of changing market conditions. We believe the planned changes are reflective of these beliefs and consistent with our ongoing mission to deliver investment outcomes that will enable investors to meet their future long-term financial goals.

Overview of the changes effective on or about September 22, 2016

- **A marginal reduction in overall portfolio risk:** While business and market cycles do not 'die of old age,' we are now seven years into the recovery from the global financial crises. It is our view that we are closer to the latter innings of this cycle. This fact, in combination with higher valuations in areas such as U.S. equity, leads us to operate as risk managers more than risk takers. This warrants a marginal reduction in overall portfolio risk to reflect this view. Hence, we will be decreasing the equity allocation and adding to fixed income allocation in the Russell LifePoints® Funds, *Target Portfolio Series*. The exception is in the Equity Growth Strategy Fund, where we believed an increase in equity risk was needed to better align the Fund with its Morningstar category.
- **A decrease in U.S. equities in more conservative funds and an increase to U.S. equities in more aggressive funds:** As our main tool to decrease risk levels, we look to the areas with the least attractive valuations, business cycle and sentiment characteristics. In the U.S., we see valuations as extended and a less favorable business cycle relative to the rest of the globe, with negative earnings growth and wage pressure beginning to hamper margins. By contrast, we believe non-U.S. equity has more attractive valuations and is in the earlier stages of the business cycle. Therefore, we prefer non-U.S. equities over U.S. large cap equities. However, recent changes to the Morningstar categories which we evaluate the Funds against, resulted in the Funds' U.S./Non-U.S. equity exposure differing from what they were

prior. This required a modification of exposures to maintain preferred positioning across the Target Portfolio Funds. In the Conservative and Moderate Strategy Funds we decreased the U.S. equity exposure but increased the U.S. equity exposure in the Growth and Equity Growth Strategy Funds. After these changes the Fund's will still be tilted towards non-U.S. equity within preferred ranges.

- **A decrease to global real estate securities and global infrastructure exposure:** The other area of the market where valuations have begun to look less attractive, though not in the extreme, is yield-seeking/defensive equities. Defensive equity areas of the market in Europe are near 30-year highs by some measures as investors have searched out yield. Real estate securities and infrastructure securities have done relatively well in this environment. As valuations have increased and in alignment with Russell Investments' view that interest rates will continue to moderate over the coming quarters, we will reduce exposure to global real estate securities and global infrastructure in the *Target Portfolio Series* Funds.
- **An increase in credit exposure, while shortening duration:** In the past two years, credit spreads have widened significantly, improving valuations such that they are above the long term median spread level. Similarly, emerging market debt valuations are also compelling. By increasing return seeking fixed income exposure, Russell Investments anticipates returns similar to equities, with the potential for less downside risk. For this reason, we will increase credit exposure, while at the same time shortening duration, in alignment with our view of future interest rate rises. In addition, we will be adding a new fund**, the Unconstrained Total Return Fund,** which offers diversification by seeking a low correlation to traditional fixed income products.

In general, we believe that the relationship between risk and return will improve from the current target allocations with this reallocation. This will be driven more by an expected decrease in volatility and maintenance of expected return levels. The most notable changes in allocations to specific equity, alternative or fixed income Underlying Funds are the following:

- An increase in the Russell Global Opportunistic Credit Fund and the Russell Multi-Strategy Income Fund.
- A decrease in the Russell International Developed Markets Fund, Russell Emerging Markets Fund, Russell Global Infrastructure Fund, Russell Global Real Estate Securities Fund, and Russell Strategic Bond Fund.
- The addition of a new fund, **the Unconstrained Total Return Fund**, associated with the fixed income asset class.

Please see the current and new target asset allocation of each of the LifePoints® Funds in the table below.

	Conservative Strategy Fund		Moderate Strategy Fund		Balanced Strategy Fund		Growth Strategy Fund		Equity Growth Strategy Fund	
	Current	New	Current	New	Current	New	Current	New	Current	New
Select U.S. Equity Fund	2%	2%	4%	3.5%	7%	7%	10%	12%	9%	12.5%
Russell U.S. Defensive Equity Fund	1.5%	1%	4%	4%	7%	9%	8%	11%	9%	14.5%
Russell U.S. Dynamic Equity Fund	1.5%	1%	4%	4%	7%	9%	8%	11%	9%	14.5%
Russell U.S. Small Cap Equity Fund			4%	4%	6%	6%	9%	9%	11%	12%
Select Int'l Equity Fund	2%	1%	6%	3%	10%	4%	13%	8%	13%	8.5%
Russell Global Equity Fund			6%	6%	10%	10%	12%	12%	15%	15%
Russell Emerging Markets Fund	2%	1%	4%	3%	6%	4%	9%	5%	11%	6%
Equity Allocation	**9%**	**6%**	**32%**	**28%**	**53%**	**49%**	**69%**	**68%**	**77%**	**83%**
Russell Commodity Strategies Fund		3%	2%	3%	3%	3%	4%	3%	4%	3%
Russell Global Infrastructure Fund	4%	2%	3%	2.5%	4%	2.5%	5%	3%	5%	3%
Russell Global Real Estate Securities Fund	4%	1%	2%	2%	3%	1.5%	4%	2%	4%	2%
Alternative Allocation	**8%**	**6%**	**7%**	**8%**	**10%**	**7%**	**13%**	**8%**	**13%**	**8%**
Russell Multi-Strategy Income Fund	23%	23%		10%		4%				
Russell Global Opportunistic Credit Fund	2%	6%	8%	10%	7%	9%	4%	6%	8%	5%
Unconstrained Total Return Fund		4%		4%		3%		3%		2%
Russell Strategic Bond Fund	23%	21%	35%	23%	28%	26%	12%	13%		
Russell Investment Grade Bond Fund	12%	12%	16%	16%						
Russell Short Duration Bond Fund	21%	20%								
Fixed/Other Income Allocation	**81%**	**86%**	**59%**	**63%**	**35%**	**42%**	**16%**	**22%**	**8%**	**7%**
RIM*	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**
Total Portfolio Allocation	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

*Russell Investment Management, LLC "RIM" manages this portion of the fund's assets to actively manage the fund's overall exposures to seek to achieve the desired risk/return profile for the fund. This portion of the fund is not invested in underlying funds.

Next steps:

If you currently invest in Russell LifePoints® Funds, *Target Portfolio Series*, please discuss these changes with your financial advisor. This reallocation could have tax implications. Please inform your tax advisor of this event.

〉For more information:

Call Russell at 800-787-7354 or
visit www.russellinvestments.com

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. Please read a prospectus carefully before investing.

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The LifePoints® Funds are a series of fund of funds which expose an investor to the risks of the underlying funds proportionate to their allocation. Investments in LifePoints® Funds involves direct expenses of each fund and indirect expenses of the underlying funds, which together can be higher than those incurred when investing directly in an underlying fund.

Each of the LifePoints® Funds, Target Portfolio Series, invests its assets in shares of a number of underlying Russell Funds. From time to time, the Fund's adviser may modify the target strategic asset allocation for any fund and/or the underlying funds in which a fund invests including the addition of new underlying funds. A Fund's actual allocation may vary from the target strategic asset allocation at any point in time. In addition, the Fund's adviser may also manage assets of the underlying funds directly for a variety of purposes.

The Unconstrained Total Return Fund ("the Fund") is a new fund without an operating history, which may result in additional risk. There can be no assurance that the fund will grow to an economically viable size, in which case the fund may cease operations. In such an event, investors may be required to liquidate or transfer their investment at an inopportune time.

The Unconstrained Total Return 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.

For the Unconstrained Total Return Fund, the use of currency trading strategies may adversely impact a Fund's ability to meet its investment objective.

For the Unconstrained Total Return Fund, cash equitization techniques are utilized with futures in order to approach a fully invested portfolio position and to earn "market-like" returns on the Fund's excess and liquidity reserve cash balances

The use of currency trading strategies may adversely impact the Fund's ability to meet its investment objective.

Depending on market conditions, the Fund may allocate a significant portion of its assets to cash in order to seek to achieve its objective.

Global equity involves risk associated with investments primarily in equity securities of companies located around the world, including the United States. International securities can involve risks relating to political and economic instability or regulatory conditions. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than those of more developed countries.

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.

Investments in infrastructure-related companies have greater exposure to the potential adverse economic, regulatory, political and other changes affecting such entities. Investment in infrastructure related companies are subject to various risks including governmental regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and surplus capacity, competition from other providers of services and other factors. 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.

Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities, particularly if the investments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or sectors affecting a particular industry or commodity and international economic, political and regulatory developments. The use of leveraged commodity-linked derivatives creates an opportunity for increased return, but also creates the possibility for a greater loss.

Investments that are allocated across multiple types of securities may be exposed to a variety of risks based on the asset classes, investment styles, market sectors, and size of companies preferred by the investment managers. Investors should consider how the combined risks impact their total investment portfolio and understand that different risks can lead to varying financial consequences, including loss of principal.

Strategic asset allocation and diversification do not assure profit or protect against loss in declining markets.

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