

# Reorganization of the U.S. Large Cap Equity Fund into the Multifactor U.S. Equity Fund

DECEMBER 6, 2017

## Highlights

- › The December 6, 2017 Russell Investment Company Funds prospectus update announced plans to reorganize ("merge") the U.S. Large Cap Equity Fund into the Multifactor U.S. Equity Fund on or about April 27, 2018 using closing prices as of April 27, 2018.
- › This merger is expected to qualify as a tax-free reorganization.
- › Following the merger, shareholders of the U.S. Large Cap Equity Fund will experience net expense ratios that are lower than what they currently experience, along with a different investment approach. The U.S. Large Cap Equity Fund is currently managed pursuant to a traditional active "multi-style, multi-manager" approach, whereas Russell Investment Management (RIM) directly manages the Multifactor U.S. Equity Fund with a multifactor approach.

## Questions and answers

### How will the reorganization be completed?

- › The U.S. Large Cap Equity Fund will no longer be available for purchases or exchanges effective at the close of business on April 25, 2018. Redemptions will still be allowed; however, any redemptions processed on the date of the merger, April 27, will be rejected.
- › Class A and Class C shares of the Multifactor U.S. Equity Fund will be launched on April 27, 2018.
- › The reorganization is expected to be completed on or about April 27, 2018 based on values computed as of the close of regular trading on the New York Stock Exchange on April 27, 2018, at which time shareholders will have received shares of the Multifactor U.S. Equity Fund equivalent in dollar value to shares in the U.S. Large Cap Equity Fund.

### Why is the U.S. Large Cap Equity Fund merging into the Multifactor U.S. Equity Fund?

The U.S. Large Cap Equity Fund was created for a financial intermediary selling Russell Investment Company (RIC) Funds to allow for a distinct U.S. large capitalization fund in the financial intermediary's model portfolios. This financial intermediary updated their models to replace the U.S. Large Cap Equity Fund with the Multifactor U.S. Equity Fund in March 2017. Following this change, the U.S. Large Cap Equity Fund's assets under management decreased significantly. Because the Fund does not have significant flows outside of this financial intermediary, Russell Investments believes it is in the best interest of the U.S. Large Cap Equity Fund's shareholders to reorganize the Fund into the Multifactor U.S. Equity Fund.

Russell Investments evaluated a liquidation or reorganization into an existing RIC fund and believes that the reorganization into the Multifactor U.S. Equity Fund is preferred over liquidation as it is likely to be a tax-free event, whereas the U.S. Large Cap Equity's liquidation would be a taxable event for U.S. Large Cap Equity shareholders.

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## What are the similarities and differences between the U.S. Large Cap Equity Fund and Multifactor U.S. Equity Fund?

- › The investment objectives of the Funds are identical – each Fund seeks to provide long-term capital growth. The principal investment strategies and principal investment risks of the Funds are similar; however, there are some differences as noted in the chart below.
- › The Funds have different investment approaches: the U.S. Large Cap Equity Fund is currently managed pursuant to a “multi-style, multi-manager” approach, whereas Russell Investment Management (RIM) directly manages the Multifactor U.S. Equity Fund.
- › The Multifactor U.S. Equity Fund has a lower net expense ratio: 0.59% for Class S versus 0.87% for the U.S. Large Cap Equity Fund-Class S.

### High-level comparison of the Funds

	U.S. LARGE CAP EQUITY FUND	MULTIFACTOR U.S. EQUITY FUND
Objective	Seeks to provide long-term capital growth	Seeks to provide long-term capital growth
Investment approach	Traditional active management approach with multiple third-party money managers and Russell Investments' directly managing a portion of the Fund.	Multifactor investment approach with Russell Investment Management (RIM) directly managing the Fund
Principal investment strategies	<p>Has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its net assets plus borrowings for investment purposes in large capitalization equity securities economically tied to the U.S. May invest in common stocks of large and medium capitalization U.S. companies as part of its principal investment strategies and may invest in common stocks of small capitalization U.S. companies as part of its non-principal investment strategies.</p> <p>As of 9/30/2017, market capitalization breakdown was: 39.3% Large Cap, 36.9% Medium/Large Cap, 17.9% Mid Cap, 5.3% Mid/Small Cap, 0.6% Small Cap. The Fund defines large capitalization stocks as stocks of those companies represented by the S&amp;P 500® Index or within the capitalization range of the S&amp;P 500® Index as measured at its most recent reconstitution.</p>	<p>Has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its net assets plus borrowings for investment purposes in equity securities economically tied to the U.S. May invest in common stocks of large, medium and small capitalization U.S. companies.</p> <p>As of 9/30/2017, market capitalization breakdown was: 40.5% Large Cap, 25.9% Medium/Large Cap, 20.3% Mid Cap, 12.2% Mid/Small Cap, 1.1% Small Cap.</p> <p>The Fund defines large and medium capitalization stocks as stocks of those companies represented by the Russell 1000® Index or within the capitalization range of the Russell 1000® Index as measured at its most recent reconstitution.</p>
Unique principal risks	Multi-Manager Approach, Depository Receipts, Long-Term Viability.	Real Estate Investment Trusts, Securities of Other Investment Companies.
Benchmark	S&P 500 Index	Russell 1000® Index
Portfolio Managers	Kevin Divney and James Barber	Kevin Divney and James Barber
Net Expense Ratio (as of 3/1/2017)	Class A: 1.12% Class C: 1.87% Class S: 0.87%	Class A: 0.84% Class C: 1.59% Class S: 0.59%

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## What are the highlights of the Multifactor U.S. Equity Fund's investment approach?

The Multifactor U.S. Equity Fund uses a dynamic multifactor investing approach designed to seek excess returns and risk management in a cost-effective way. Highlights include:

- › **Multiple factors:** The Fund provides access to equity factors (rules-based exposures, e.g. Value, Momentum, Quality or Low Volatility) that Russell Investments believes will outperform the broad market over the long run. Combining multiple factors in a single portfolio may help provide more consistent performance over time, especially given that when one factor is underperforming, another factor may be outperforming.
- › **Thoughtful portfolio construction:** Rather than simply equally weighting each factor, Russell Investments thoughtfully constructs the Fund's strategic factor weights based on its research of each factor's behavior under different economic regimes.
- › **Dynamic active management:** The Fund's portfolio managers actively adjust individual factor weights, based on Russell Investments' strategists' capital market views on the business cycle, valuations and market sentiment and manager research insights. They take ownership of total portfolio exposures and manage diversification and risk levels, and seek to add value by responding to evolving market opportunities and risks.

To learn more about the Fund, visit the [Multifactor U.S. Equity Fund](#) page on [www.russellinvestments.com](http://www.russellinvestments.com).

## How do the Funds' past performance compare?

Performance of the Funds is show below as of September 30, 2017.

CLASS S	ANNUALIZED								
	Month	3 Month	YTD	1 Year	3 Years	5 Years	10 Years	Inception date	
U.S. Large Cap Equity Fund- S	2.40%	3.84%	12.62%	16.57%	9.50%	13.09%	--	02/06/2012	
Multifactor U.S. Equity Fund- S	2.19%	4.24%	13.18%	18.88%	10.46%	--	--	07/31/2014	

The Multifactor U.S. Equity Fund first issued Class S Shares on January 2, 2015. The returns shown for Class S Shares prior to that date are the returns of the Fund's Class Y Shares.

*Performance information is historical and does not guarantee future results. Investment return and principal value will fluctuate so that redeemed shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current to the most recent month-end performance for Russell Investment Company mutual funds is available by visiting: <https://russellinvestments.com/us/funds/performance-prices>.*

## Why is a shareholder vote not needed for this merger?

RIC's Second Amended and Restated Master Trust Agreement permits the Board to authorize mergers of RIC funds without shareholder approval, when shareholder approval is not otherwise required by law and the Board did so in this case.

## When will shareholders be notified?

The information was public as of December 6, 2017 due to the prospectus update. Late March, an information statement will be sent to shareholders of record of the U.S. Large Cap Equity Fund as of March 14, 2018. At that time, a copy of this statement can be found on RussellInvestments.com under "[Shareholder notices](#)".

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## **Will there be any tax consequences for shareholders of either Fund as a result of the merger?**

The merger of the U.S. Large Cap Equity Fund into the Multifactor U.S. Equity Fund is expected to qualify as a tax-free reorganization. However, if any U.S. Large Cap Equity Fund positions are sold ahead of the merger, shareholder account level gains/losses will be determined by the investor's cost basis and will be treated like any other transaction.

## **Will the value of shareholders' investments be affected?**

No, the value of investments will not change as a result of the merger. Shareholders will receive shares of the Multifactor U.S. Equity Fund equivalent in dollar value to the shares held in the U.S. Large Cap Equity Fund as of the merger date.

## **Can the advisor move assets out of the U.S. Large Cap Equity Fund into the Multifactor U.S. Equity Fund prior to the merger?**

The merger will happen automatically as of the close of business on Friday, April 27. However, advisors may initiate trades out of the U.S. Large Cap Equity Fund any time on or before April 27, 2018, if the shareholders wish to move assets earlier than the scheduled merger date. If assets are moved to the Multifactor U.S. Equity Fund prior to April 27, the redemption will be a taxable event while the merger is expected to be a non-taxable event.

## **What is done automatically and what needs to be done or set up by the advisor, recordkeeper, etc.?**

The merger will be done automatically by the Transfer Agent. Other platforms may need to update their systems accordingly.

## **Additional questions?**

Contact your Russell Investments sales and service team at 800.787.7354.

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**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 visiting russellinvestments.com. Please read a prospectus carefully before investing.**

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.

Effective September 15, 2017, the Select U.S. Equity Fund was renamed the Multifactor U.S. Equity Fund

Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Indexes and/or benchmarks are unmanaged and cannot be invested in directly.

The S&P 500 Index is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

The Russell 1000® Index is a stock market index that represents the highest-ranking 1,000 stocks in the Russell 3000 Index, which represents about 90% of the total market capitalization of that index.

The Multifactor U.S. Equity Fund utilizes a variety of quantitative inputs and qualitative assessments in its management. If these are not predictive or are incorrect, the Fund may underperform. The Fund also utilizes index-based strategies, which may cause its returns to be lower than if it employed a fundamental investment approach to security selection.

The Multifactor U.S. Equity 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.

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