# Core Model Strategies

## Overview of 2019 asset allocation changes

September 2019

At Russell Investments, we follow a regular, methodical process of evaluating the asset allocation of our multi-asset portfolios. Current market conditions, our capital market forecasts and asset class exposures are all considered to determine if asset allocation shifts could benefit investors' long-term outcomes.

Our recent analysis suggests modest shifts in the allocations would potentially benefit Core Model Strategy investors. These shifts are scheduled to occur **on or around November 13, 2019, or a date determined by your advisor's firm.**

**The main outcomes of these changes are to:**

- **Align the Models with Russell Investments' current market views**
  - *Realigns risk/return portfolio positioning for potential future growth*
- **Improve transparency on exposures in the Model Strategies**
  - *More clearly defined asset class exposures*

## Overview

We're committed to outperforming over market cycles through a combination of asset allocation, manager selection and security selection. We've evolved our investment process to more precisely control our risk exposures in dynamically changing markets—while reducing the number of managers in our funds to our highest confidence managers with concentrated assignments. With these changes, the portion of active risk coming from security selection has increased—which we believe allows our funds to benefit from the expertise provided by the money managers. Corresponding with these advancements, we are gradually reducing some of the asset allocation risk in an effort to manage the overall model portfolio risk. The main outcomes of the changes are to:

1. **Align the Models with Russell Investments' current market views**

   **These moves realign the risk/return portfolio positioning of the Models for future growth.** One of the catalysts for the changes is the modest fixed income return expectations driven by low interest rates. In response to and in recognition of investors needs for total return, we're increasing the dedicated exposure to growth assets. The Models will experience a dedicated equity increase in the 4% - 6% range, with increases in **U.S. Strategic Equity, U.S. Small Cap Equity, International Developed Markets, and Emerging Markets Funds.** A source of funds for these changes is the **Global Equity Fund, the real assets funds, and the multi-asset funds.** In addition, within the fixed income exposure, **Short Duration Bond Fund** is being removed from the more conservative models to reallocate to additional return seeking and diversified bond strategies.

2. **Improved transparency on exposures through removal of Global Equity Fund and smaller allocations to multi-asset funds**

   **These changes are designed to provide more clearly defined asset class exposures in the Models. We are removing the Global Equity Fund and decreasing the allocations to the multi-asset funds** (Multi-Strategy Income Fund and Multi-Asset Growth Strategy Fund). We believe these changes will help provide greater transparency to both the split between equity, alternatives and fixed income, as well as U.S. and non-U.S. equity exposures. Assets will be reallocated to our standalone U.S., international and emerging market equity funds.

   As our Core Model Strategies have evolved, the allocation to multi-asset funds (funds that allocate to equities, alternatives and fixed income) has increased to provide greater dynamic management to the portfolios. We have heard from our clients, while they appreciate the dynamic nature of these funds, it has become more difficult to align the Models with strategic allocations and designated risk targets.

Please see the asset allocation of each of the Core Model Strategies in the table below. Please note that not all the products listed may be offered at your advisor's firm.

| MODEL STRATEGIES | CONSERVATIVE | | MODERATE | | MODERATE GROWTH | | BALANCED | | BALANCED GROWTH | | GROWTH | | EQUITY GROWTH | | EQUITY CONSERVATIVE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **FUNDS** | **Current** | **New** | **Current** | **New** | **Current** | **New** | **Current** | **New** | **Current** | **New** | **Current** | **New** | **Current** | **New** | **Current** | **New** |
| U.S. Strategic Equity | 2% | 4% | 7% | 12% | 12% | 17% | 14% | 22% | 18% | 25% | 22% | 29% | 26% | 37% | 44% | 52% |
| U.S. Small Cap Equity | | | 2% | 4% | 3% | 4% | 4% | 5% | 5% | 6% | 6% | 7% | 9% | 11% | 7% | 11% |
| Int'l Developed Markets | 2% | 3% | 5% | 7% | 7% | 10% | 10% | 12% | 14% | 16% | 17% | 19% | 25% | 25% | 11% | 13% |
| Global Equity | | | 4% | | 6% | | 8% | | 7% | | 8% | | 11% | | 9% | |
| Emerging Markets | | 2% | 3% | 4% | 4% | 5% | 5% | 7% | 6% | 8% | 7% | 9% | 9% | 11% | 7% | 7% |
| **Equity Allocation** | **4%** | **9%** | **21%** | **27%** | **32%** | **36%** | **41%** | **46%** | **50%** | **55%** | **60%** | **64%** | **80%** | **84%** | **78%** | **83%** |
| Commodity Strategies | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 3% | 2% | 3% | 3% | 4% | 3% | 4% | 2% |
| Global Infrastructure | | | | | | | | | 2% | 2% | 2% | 2% | 2% | 2% | 4% | 2% |
| Global Real Estate Securities | | | 3% | 2% | 3% | 2% | 3% | 2% | 4% | 3% | 4% | 3% | 4% | 3% | 3% | 3% |
| **Alternative Allocation** | **2%** | **2%** | **5%** | **4%** | **5%** | **4%** | **5%** | **4%** | **9%** | **7%** | **9%** | **8%** | **10%** | **8%** | **11%** | **7%** |
| Opportunistic Credit* | 2% | | 2% | | 3% | 7% | 3% | 6% | 2% | 3% | 2% | 2% | | | 11% | |
| Unconstrained Total Return | 4% | 9% | 4% | 6% | 4% | | 4% | | 4% | | 2% | | | | | |
| Strategic Bond | 28% | 28% | 33% | 43% | 30% | 34% | 25% | 25% | 17% | 20% | 10% | 11% | | | | |
| Investment Grade Bond | 22% | 24% | | | | | | | | | | | | | | |
| Short Duration Bond | 9% | 6% | 9% | | 3% | | | | | | | | | | | |
| **Fixed Income Allocation** | **65%** | **67%** | **48%** | **49%** | **40%** | **41%** | **32%** | **31%** | **23%** | **23%** | **14%** | **13%** | **0%** | **0%** | **11%** | **0%** |
| Multi-Strategy Income | 29% | 22% | 26% | 20% | | 19% | | | | | | | | | | |
| Multi-Asset Growth Strategy | | | | | 23% | | 22% | 19% | 18% | 15% | 17% | 15% | 10% | 8% | | 10% |
| **Multi-Asset Allocation** | **29%** | **22%** | **26%** | **20%** | **23%** | **19%** | **22%** | **19%** | **18%** | **15%** | **17%** | **15%** | **10%** | **8%** | **0%** | **10%** |
| **Total Portfolio Allocation** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

**Special Notes:**

***** Effective March 1, 2019 the Global Opportunistic Credit Fund was renamed the Opportunistic Credit Fund.
Multi-Asset is defined as funds that contain more than one broad asset class (equity, fixed income, alternatives).

## Next steps

If you currently invest in the Core Model Strategies, please discuss these changes with your financial advisor. This reallocation could have tax implications. Please inform your tax advisor of this event.

## Important information

**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.**

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.

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Fund investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation.

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.

Model Strategies represent target allocation of Russell Investment Company funds; these models are not managed and cannot be invested in directly.

Model Strategies are exposed to the specific risks of the fund directly proportionate to their fund allocation. The funds comprising the strategies and allocations to those funds have changed over time and may change in the future.

There is no guarantee that the results stated in this document will be met.

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