Multifactor Bond Fund

Russell Investments

Frequently Asked Questions

September 2019

We're pleased to announce that effective November 13, 2019, Russell Investments will launch the Russell Investment Company (RIC) Multifactor Bond Fund.

Active investment managers have for decades used strategies to target factors—which are the underlying characteristics that drive returns of stocks, bonds and other assets. For instance, Credit, Interest Rates, and Currency are three common factors that have the potential to deliver excess returns over the broad fixed income market. Factor investing targets exposure to these factors to seek to maximize a portfolio's return and manage its risk. In recent years, technological and research developments have allowed managers to provide more precise exposure to factors in a portfolio, harnessing these powerful tools to help meet client objectives. And now, through the introduction of the Multifactor Bond Fund, those potential benefits can be accessed in the fixed income allocation of a portfolio.

Fund facts

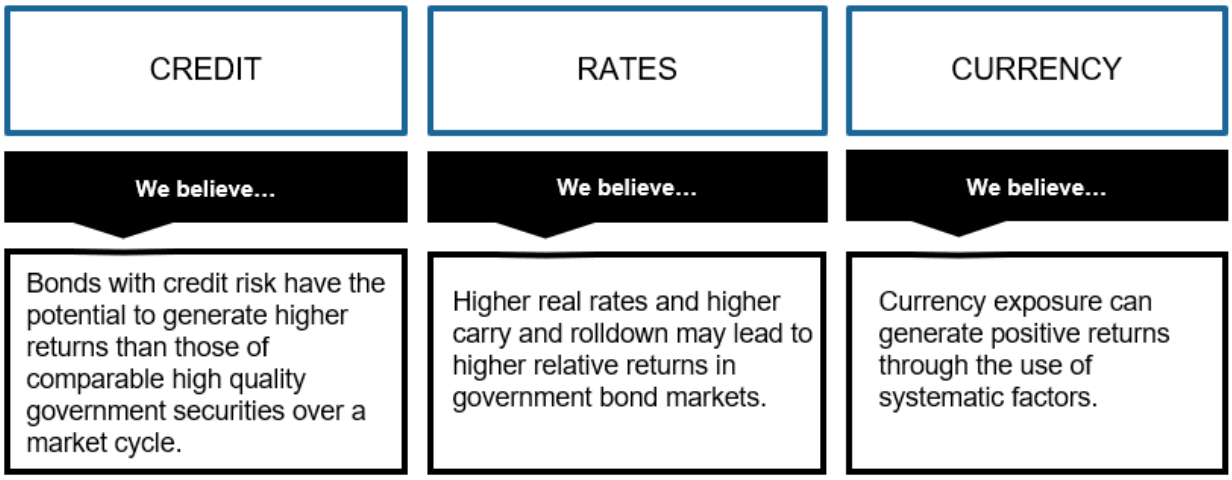
Investment objective	The Fund seeks to provide total return.
Highlights	Uses factors within credit, currency, and interest rate markets and Russell Investments' generated tactical tilts to seek to provide investment returns above those of the Bloomberg Barclays Global Aggregate Bond Index (USD-Hedged).
Invests in	A variety of instruments, including securities of issuers in a variety of sectors of the fixed income market and fixed income currency derivatives.
Benchmark	Bloomberg Barclays Global Aggregate Bond Index (USD-Hedged)
Portfolio manager	Keith Brakebill

Frequently asked questions

At a high level, what is the Multifactor Bond Fund?

The Fund is a dynamically-managed, multifactor driven fund that is constructed off Russell Investments' beliefs regarding fixed income factors that exist in the market, including credit, rates and currency, that we believe have the potential to deliver excess returns over the broad fixed income market. These beliefs are based off more than 40 years of Russell Investments' capital market research and investment experience.

RUSSELL INVESTMENTS' FIXED INCOME BELIEFS



What is the Fund's investing approach?

The Fund uses a dynamic multifactor investing approach designed to seek excess returns and risk management in a cost-effective way. There are three primary steps to the Fund's investing approach:

1. **Benchmark against the Bloomberg Barclays Global Aggregate Bond Index:** To help achieve the Fund's investment objective, Russell Investment Management, LLC ("RIM") manages the Fund's overall exposures (such as duration, sector, industry, region, currency, credit quality, yield curve positioning and interest rates) relative to the **Bloomberg Barclays Global Aggregate Bond Index** (USD-Hedged). RIM determines the Fund's positioning by over or underweighting the portfolio's factor characteristics relative to the benchmark over the short, intermediate and/or long term.

2. **Combine factor driven strategies to seek to provide index beating return sources:** RIM combines a variety of quantitative inputs and analysis along with qualitative investment information in the management of the Fund to determine the Fund's desired positioning. After RIM has targeted the Fund's desired exposures, **RIM invests the Fund's assets in a variety of instruments, including securities in a variety of sectors of the fixed income market along with fixed income and currency derivatives,** in order to reflect those desired exposures. RIM may replicate sector indexes or may utilize techniques such as optimization and/or substitution of index constituents to seek to efficiently gain desired portfolio exposures.

3. **Active risk management to seek to capitalize on current and future market conditions:** The Fund's portfolio manager actively adjusts individual factor weights, based on Russell Investments' manager research insights and strategists' capital market views on the business cycle, valuations and market sentiment. The portfolio manager takes

ownership of total portfolio exposures and manages overlap, diversification, risk levels and seeks to add value by responding to evolving market opportunities and risks.

What sets Russell Investments' factor investing approach apart?

We believe there are three key components to a successful multi-factor strategy:

1. **Identifying and understanding multiple factors:** Early adopters of factor investing portfolios focused on portfolios targeting a single factor to target the potential excess returns from a desired factor exposure. However, factors can be volatile and have highly cyclical performance relative to the broad market. Although each individual factors' excess returns are expected to be positive in the long run, they are not consistently positive over shorter time horizons and fall in and out of favor at different times through a market cycle. Combining multiple factors in a single portfolio may help provide more consistent performance over time, especially given that the performance cycles of the most common factors have not historically coincided with each other – when one factor is underperforming, another factor may be outperforming.

2. **Thoughtful portfolio construction:** Combining multiple factors within a portfolio requires careful consideration – just as diversifying across various asset classes does – so that the components complement each other. Rather than simply equally weighting each factor, Russell Investments thoughtfully constructs the Fund's strategic factor weights based on its research into each factor's behavior under different economic regimes.

3. **Dynamic active management:** Markets are not static, and conditions are constantly evolving, causing the attractiveness of any one factor to vary. Therefore, the Fund's portfolio manager actively adjusts individual factor weights, based on Russell Investments' manager research insights and strategists' capital market views on the business cycle, valuations and market sentiment. The portfolio manager takes ownership of total portfolio exposures and manages overlap, diversification, risk levels and seeks to add value by responding to evolving market opportunities and risks.

Will the Fund hold many of the same securities as the Bloomberg Barclays Global Aggregate Bond Index?

While the Multifactor Bond Fund will be invested relative to the Bloomberg Barclays Global Aggregate Bond Index (USD-Hedged), the Fund will utilize derivatives and some individual securities that are outside of the stated benchmark.

What is Russell Investments' experience in factor investing?

Factor investing has been one of Russell Investments' capabilities for more than 40 years since the launch of the Russell style indexes. Our factor investing has evolved over time—from including factor exposures in our funds through our direct investing capabilities to having funds that are pure multifactor funds. On the multifactor equity side, Russell Investment Company has two funds: The Multifactor U.S. Equity Fund and the Multifactor International Equity Fund that both launched in 2014.

What type of market environment do we expect the Fund to perform well in? Poorly in?

The Fund is likely to do well in markets rewarding credit risk and during periods of flat to falling interest rates, as overweights to Credit and Duration are two positions that will often be reflected by the Fund. The opposite environment may be a little less friendly to the portfolio. However, the portfolio is designed to be nimble, allowing it to adapt to most market environments, and

even more importantly, the Fund will continue to position itself as a strong diversifier to equity markets regardless of what is “winning” and “losing” within the bond market.

What is the role of this Fund in a diversified portfolio?

While the performance objective of the Fund is to outperform the Bloomberg Barclays Global Aggregate Bond Index (USD-Hedged), the primary role of the Fund is to diversify the equity exposure within a diversified portfolio. A secondary role is to seek to provide a stable source of modest total returns.

For more information

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

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.

The Multifactor Bond 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 investments at an inopportune time.

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.

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.

Indexes are unmanaged and cannot be invested in directly.

The Bloomberg Barclays Global Aggregate Bond Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

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First used: September 2019 RIFIS 21973 (9-22).