

# UNCONSTRAINED TOTAL RETURN 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 Fund seeks to provide total return by generating returns in excess of traditional fixed income and cash, and with less volatility than dedicated high yield or emerging market products. The Fund opportunistically invests in a broad range of fixed income securities across sectors, the globe and credit quality and maturity spectrums, with an emphasis on higher-yielding securities. The Fund also may employ currency and duration management strategies. The Fund's returns are expected to be correlated to changes in interest rates and performance of credit markets, but the Fund will use wide latitude and flexibility within bond markets in order to seek to minimize periods of negative performance and reduce volatility. The Fund may also invest in other asset classes in order to seek to achieve its objective, including equity securities. 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 Fund's strategies will comprise the following core components:

- **Core yield:** Seeks to generate yield by investing in higher quality and shorter duration BB rated high yield instruments and bank loans.
- **Diversifiers:** Seeks diversification through different asset classes and strategies.
- **Opportunistic strategies:** Seeks to enhance returns by opportunistically allocating to market opportunities as they present themselves.
- **Cash:** A cash allocation is part of the opportunity set of the Fund.

### Russell Investments portfolio managers

Helena Hui Ravanans is a Portfolio Manager. Based in London, she manages the firm's unconstrained bond funds and also serves as the back-up portfolio manager for all EMEA fixed income funds. Prior to joining the portfolio management team in 2021, Helena spent six years as a manager research analyst researching European/global fixed income and volatility strategies for the firm, and from 2010-2014 she worked at Bloomberg in London as a fixed income and derivatives advanced specialist. Helena

holds an M.Sc. in Finance from HEC Paris (École des Hautes Etudes Commerciales de Paris). Helena joined the firm in 2014.

Gerard Fitzpatrick is Russell Investments' Managing Director, Head of Fixed Income Portfolio Management. In this role, Gerard manages EMEA fixed income funds, and is ultimately responsible for the performance of all of Russell Investments' Fixed Income funds globally. Previously in our London office, Gerard was responsible for the portfolio management of all Russell Investments' global bond funds. Gerard holds a B.B.S. and M.A. graduate degree in Finance and a B.Sc. in Financial Services. Gerard joined the firm in 2007.

### The portfolio managers' role

The Russell Investments 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, 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 some of the tools at the portfolio manager's disposal to help identify opportunities and manage risk.

Not a Deposit. Not FDIC Insured. May Lose Value. Not Bank Guaranteed. Not Insured by any Federal Government Agency.

# Unconstrained Total Return 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
Ardea Investment Management Pty Ltd	47%	Ardea is purely focused in trading relative value in global interest rate markets. Utilizing global government, government related bonds, and interest rate derivatives the manager seeks to exploit mispricing's that occur to create performance with minimal interest rate duration.	Global Alpha	The Ardea strategy plays the role of a diversifier in the portfolio, with returns that are decorrelated to both equity and bond markets.
Hermes Investment Management Limited	45%	Hermes will focus broadly on global credit markets from investment grade to high yield including corporate bonds, structured credit and leveraged loans. The manager actively manages strategy with a dynamic hedge to manage outsized credit risks.	Global Unconstrained Credit	The Hermes portfolio plays the role of a core return driver in the portfolio, getting exposure to corporate credit from across the spectrum while managing tail events that might occur.
Russell Investment Management, LLC (RIM)*	8%	Russell Investments can use a blend of currency and yield strategies in this fund, designed to act as diversifiers.	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 strategies, which help 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.

# Ardea Investment Management Pty Ltd

## Firm background

Ardea Investment Management Pty Ltd (“Ardea”) was founded by four experienced investment professionals. Their mission is to create an environment that is purely investment focused and dedicated to generating consistent returns for investors.

**Headquarters:** Sydney, Australia

**Founded:** 2008

**Lead manager:** Ben Alexander

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**Asset class:** Fixed income

**Investment focus:** Global interest rate markets

**Number of holdings:** Variable

## Manager profile

Ardea Investment Management Pty Ltd (“Ardea”) was added to the Unconstrained Total Return Fund in June of 2021. The strategy is managed by lead portfolio manager Ben Alexander.

## What this manager brings to the Fund

Ardea sources performance by exploiting relative value opportunities in developed market interest rates with limited interest rate sensitivity. The strategy’s performance should be decorrelated to broader equity credit and global bond markets.

## Investment process

The manager’s process revolves around identifying mispricing’s in various government bond yield curves through both derivatives and physical securities. To do this Ardea constructs yield curve models and then systematically compares market pricing of various instruments to one another to identify pricing inefficiencies. The team balances the fundamental picture with a strong connection to supply and demand factors to try to understand the underlying cause of mispricing’s. Then individual trades are selected and unwanted risks are hedged to focus on the true mispricing. This is done over numerous positions in order to achieve diversification.

## Russell Investments’ manager analysis

Ardea’s strategy should provide relatively reliable absolute returns that are diversifying to a broader portfolio with traditional exposure to duration, credit or equity. The Team’s focus on relative value is labor intensive but relies on exploiting relationships that are generally mean reverting and therefore does not require prediction or insight on the direction of markets to generate returns. The use of derivatives allows the team to identify more sources of mispricing as well as generate meaningful levels of return in interest rate markets. The team has been established since 2008 and has a long track record running this strategy delivering steady performance.

# Unconstrained Total Return Fund

## Hermes Investment Management Limited

### Firm background

Hermes Investment Management Limited offers actively managed public and private markets solutions to investors across the world—ranging from institutions to private investors. They are owned by BT Pension Scheme, a UK corporate pension scheme.

**Headquarters:** London, UK

**Founded:** 1983

**Lead manager:** Frasier Lundie

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**Asset class:** Fixed income

**Investment focus:** Short duration high yield

**Number of holdings:** 180

### Manager profile

Hermes Investment Management Limited (Hermes) was added to the Unconstrained Total Return Fund in September 2019. The strategy is managed by Frasier Lundie.

### What this manager brings to the Fund

Hermes brings a short duration high yield strategy to the Fund that is global in nature, with a wide opportunity set focused on finding strong, risk-adjusted opportunities. Hermes' strategy expands the Fund's exposure to global credit markets and the opportunities contained there, while adding more focus on the top-down portfolio construction in today's macro driven world.

### Investment process

Hermes applies an unconstrained approach to managing its short duration high yield strategy. Through top-down assessments, Hermes seeks to exploit the global high yield market, identifying sources of risk and opportunity. This top-down approach is complemented with traditional bottom-up credit research work and analysis. The strategy invests in securities that are maturing in less than 5.5 years. Hermes also uses credit derivatives which allow them to tailor where specifically on the yield curve they wish to take risk in a specific credit. This helps Hermes seek to identify attractive businesses and obtain exposures to them with maturities that otherwise would not be available to invest in. Lastly, Hermes has a global approach to investing. This gives the manager the opportunity to exploit the wider opportunity set available and potentially benefit from the sometimes more attractive yields available from non-U.S. credit.

### Russell Investments' manager analysis

Russell Investments believes Hermes' top-down approach bodes well with the increasingly macro-driven global high yield market and is a differentiator from many traditional fundamentally-driven high yield managers.

Russell Investments views Frasier Lundie to be quite an astute investor with a good sense of risk-adjusted opportunities in the global high yield market, without much bias, and he is willing to take active risk when warranted.

# Unconstrained Total Return Fund

## 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

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### POSITIONING STRATEGIES & CASH RESERVES

**Asset class:** Fixed income

**Number of holdings:** 40-50

RIM oversees all investment advisory services to the Fund and manages assets not allocated to managers.

### Manager and strategy oversight

The portfolio manager 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 Russell Investments believes 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 Russell Investments governance process to ensure all key considerations were addressed by the portfolio manager. 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, the portfolio manager 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.

RIM can use a blend of currency and yield strategies in this fund, designed to act as diversifiers. RIM takes long positions in futures of sovereign government bonds where the real, net-of-expected-inflation yield is relatively high.

Correspondingly, RIM takes short positions in futures of sovereign government bonds where the real, net-of-expected-inflation yield is relatively low. This strategy has historically low correlations to credit risk and is implemented via derivatives. Positioning strategies may change at any time as market conditions and needs of the fund change.

### 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 changes in interest rates or market/sector returns by purchasing fixed income securities and/or derivatives (also known as "equitization"), which typically include exchange traded fixed income futures contract and swaps. The Fund invests any remaining cash in an unregistered cash management fund advised by RIM and/or fixed income securities with an average portfolio duration of two years and effective maturities of up to six years.

**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.

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.

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.

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

The 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.

**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](http://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.

While the investment styles employed by the money managers are intended to be complementary, they may not in fact be complementary. A multi-manager approach could result in more exposure to certain types of securities and higher portfolio turnover.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates, with a significant minority stake held by funds managed by Reverence Capital Partners. Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, non-controlling, ownership stakes.

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