Active-Passive Model Strategies

October 2026 asset allocation changes

Russell Investments

September 22, 2026

Russell Investments regularly assesses current market conditions alongside our capital market forecasts to determine if asset allocation positioning updates can benefit long-term outcomes in our model portfolios.

Based on this assessment we are updating the asset allocations of the **Active-Passive Model Strategies**, effective October 14, 2026.

Overview of changes

Primary changes to the Active-Passive Model Strategies include:

- Modest repositioning of the Models to better reflect current market environment and risk targets
- The addition of three active Russell Investments ETFs and three passive third-party ETFs
- The removal of four RIC mutual funds
- Models now implemented with 100% ETFs, combining active and passive funds

Please refer to the table in the Appendix to see the new asset allocation for each Model Strategy.

Frequently Asked Questions

Are these adjustments expected to materially change the risk/return expectations of the Models?

The long-term risk/return expectations will not change dramatically, but the new positioning is expected to help the Models navigate the current market environment. The increased exposure to active management has the potential to increase active returns.

How is the active-passive balance determined?

Decisions on which asset classes to implement passively and which to implement actively are based on an analysis of active management efficiency across the Models' asset classes. Emphasis is placed on preferred implementation by asset class, not a target active/passive percentage at the Model level.

Please refer to the table in the Appendix for the current percentage split between active and passive strategies in each Model.

Which ETFs are being added to the Models?

Active: Russell Investments ETFs (RI ETFs) to be added:

- RI Global Real Estate ETF (CRIB) – *listed June 23, 2026*
- RI Core Plus Bond ETF (BD) -– *listed June 23, 2026*
- RI Multisector Bond ETF (RINK) – *estimated listing date of October 7, 2026*

Passive: Third-party ETFs to be added:

- Vanguard Int-Term Treasury ETF (VGIT)
- iShares 7-10 Year Treasury Bond ETF (IEF)
- Vanguard Long-Term Treasury ETF (VGLT)

Why are these ETFs being added now?

In response to client interest in lower-cost active management options, Russell Investments has been expanding our active ETF offering. The new RI ETFs can complement the Active-Passive Model Strategies, allowing us to offer a 100% ETF model solution. The three Treasury bond ETFs are being added to better manage the overall fixed income risk of the Models, in particular, the interest rate risk.

We believe these models provide a compelling investment solution for investors looking for a diversified active-passive solution.

What is Russell Investments' investment approach for managing the ETFs??

All the ETFs start with the same investment philosophy of identifying and allocating to high conviction third-party money manager strategies.

For the equity ETFs, we apply a fund optimization process to an initial composite of model portfolio securities provided by the money managers. Using quantitative and qualitative processes, the fund's portfolio is optimized by targeting desired exposures, reducing the number of holdings, managing turnover, and implementing risk controls, while seeking to retain the return potential from the money managers' security selection.

For the fixed income ETFs, each money manager selects the individual securities for their assigned strategy, while Russell Investments manages the remaining assets using quantitative processes and qualitative analysis to invest in securities to help deliver the desired exposures.

What are the tax implications of the reallocation to shareholders invested in the Models?

The tax consequences of the reallocation may vary based on the individual investor situation, the specific Model invested in, and/or the timing of the actual reallocation of the client accounts. Specific questions about tax consequences of the clients' Model account reallocation should be directed to the client's financial advisor or tax advisor. Russell Investments cannot provide tax advice. Please consult a tax consultant for further questions.

When was the last reallocation conducted?

The last reallocation for our Active-Passive Model Strategies was in June 2025. We will continue to monitor market and economic conditions along with portfolio positioning to determine when the next reallocation will be appropriate.

Next Steps

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

Appendix

Active-Passive Model Strategies

Comparison of current and new target strategic asset allocations for Active-Passive Model Strategies. New target allocations effective October 14, 2026.

MODEL STRATEGIES	CONSERVATIVE		MODERATE		MODERATE GROWTH		BALANCED		BALANCED GROWTH		GROWTH		EQUITY GROWTH	
UNDERLYING FUNDS	**Current**	**New**	**Current**	**New**	**Current**	**New**	**Current**	**New**	**Current**	**New**	**Current**	**New**	**Current**	**New**
iShares® Core S&P 500 ETF	5.0%	5.0%	9.0%	9.0%	13.0%	13.0%	18.0%	19.0%	24.0%	25.0%	26.0%	28.0%	32.0%	33.0%
iShares Core S&P Mid Cap ETF	0.0%	0.0%	2.0%	0.0%	2.0%	2.0%	3.0%	2.0%	3.0%	2.0%	3.0%	3.0%	3.0%	3.0%
RI U.S. Small Cap Equity ETF (RUSC)	2.0%	2.0%	2.0%	3.0%	2.0%	2.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%
RI Global Equity ETF (RGLO)	8.0%	9.0%	15.0%	14.0%	17.0%	18.0%	20.0%	21.0%	21.0%	22.0%	23.0%	24.0%	25.0%	25.0%
RI International Developed Equity ETF (RINT)	2.0%	2.0%	3.0%	4.0%	5.0%	5.0%	7.0%	7.0%	11.0%	11.0%	12.0%	13.0%	18.0%	18.0%
RI Emerging Markets Equity ETF (REMG)	2.0%	2.0%	3.0%	3.0%	4.0%	4.0%	5.0%	5.0%	7.0%	7.0%	7.0%	7.0%	10.0%	9.0%
Equity Allocation	**19.0%**	**20.0%**	**34.0%**	**33.0%**	**43.0%**	**44.0%**	**56.0%**	**57.0%**	**69.0%**	**70.0%**	**75.0%**	**79.0%**	**92.0%**	**92.0%**
RI Global Infrastructure ETF (RIFR)	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
RI Global Real Estate ETF (CRIB)	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	3.0%	0.0%	3.0%	0.0%	4.0%	0.0%	4.0%
RIC Global Real Estate Securities	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	3.0%	0.0%	3.0%	0.0%	4.0%	0.0%	4.0%	0.0%
Alternative Allocation	**2.0%**	**2.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**
RI Core Plus Bond ETF (BD)	0.0%	36.0%	0.0%	28.0%	0.0%	23.0%	0.0%	17.0%	0.0%	12.0%	0.0%	9.0%	0.0%	2.0%
RI Multisector Bond ETF (RINK) – *launching Fall 2026*	0.0%	13.0%	0.0%	11.0%	0.0%	10.0%	0.0%	8.0%	0.0%	6.0%	0.0%	3.0%	0.0%	0.0%
iShares Core U.S. Aggregate Bond ETF (AGG)	39.0%	17.0%	30.0%	13.0%	25.0%	8.0%	18.0%	3.0%	11.0%	0.0%	9.0%	0.0%	2.0%	0.0%
Vanguard Int-Term Treasury ETF (VGIT)	0.0%	4.0%	0.0%	3.0%	0.0%	3.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
iShares 7-10 Year Treasury Bond ETF (IEF)	0.0%	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	4.0%	0.0%	0.0%	0.0%	0.0%
Vanguard Long-Term Treasury ETF (VGLT)	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	0.0%
RIC Investment Grade Bond	28.0%	0.0%	21.0%	0.0%	18.0%	0.0%	11.0%	0.0%	7.0%	0.0%	2.0%	0.0%	0.0%	0.0%
RIC Opportunistic Credit	7.0%	0.0%	6.0%	0.0%	5.0%	0.0%	5.0%	0.0%	3.0%	0.0%	3.0%	0.0%	0.0%	0.0%
RIC Long Duration Bond	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	5.0%	0.0%	0.0%	0.0%
Fixed Income Allocation	**79.0%**	**78.0%**	**62.0%**	**63.0%**	**53.0%**	**52.0%**	**39.0%**	**38.0%**	**26.0%**	**25.0%**	**19.0%**	**15.0%**	**2.0%**	**2.0%**
Total Portfolio Allocation	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Active	56.0%	66.0%	59.0%	67.0%	60.0%	66.0%	61.0%	66.0%	62.0%	66.0%	62.0%	66.0%	63.0%	64.0%
Passive	44.0%	34.0%	41.0%	33.0%	40.0%	34.0%	39.0%	34.0%	38.0%	34.0%	38.0%	34.0%	37.0%	36.0%

Weighted avg expense ratios (%)

Class S - Total	0.38	0.32	0.39	0.35	0.40	0.36	0.41	0.37	0.42	0.39	0.43	0.39	0.43	0.40
Class S - Net	0.33	0.31	0.35	0.33	0.35	0.33	0.36	0.34	0.36	0.34	0.37	0.34	0.37	0.34
Class M - Total	0.38	0.32	0.39	0.35	0.40	0.36	0.41	0.37	0.42	0.39	0.43	0.39	0.43	0.40
Class M - Net	0.29	0.31	0.31	0.33	0.32	0.33	0.34	0.34	0.34	0.34	0.35	0.34	0.36	0.34

Holdings and target allocations are subject to change, are shown for illustrative purposes only, and should not be construed as investment advice or a recommendation to buy or sell any security.

Model Strategies weighted average expense ratios are based on the underlying funds' annual operating expenses as of each fund's most recent Prospectus. The model strategy weighted average expense ratio is the estimated weighted-average expense ratio of the underlying ETFs. Ratios are calculated by multiplying each fund allocation by the fund's expense ratio and then summing these values. The expense ratio for an individual investor's portfolio will vary based on their specific allocations to various funds as well as the actual expense ratios of the underlying mutual funds, which may vary over time.

Note: The products listed here may or may not be offered by your advisor's firm.

Investors and their advisors should consider the investment objectives, risks, charges and expenses of the funds included in any model portfolio carefully before investing. For Russell Investments Exchange Traded Funds, this and other information can be obtained in the fund's prospectus or, if available, the summary prospectus by visiting www.russellinvestments.com. Visit the applicable third-party fund family website for third-party funds. Please read the prospectus or, if available, the summary prospectus carefully before you invest in a fund. Russell Investments does not endorse and is not responsible for or liable for any content or other materials made available by other ETF sponsors.

IMPORTANT RISK INFORMATION

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.

ETF investing involves risk. Principal loss is possible. ETF shares are not individually redeemable and are issued and redeemed by the Fund at their net asset value ("NAV") only in large, specified blocks of shares called creation units. Shares otherwise can be bought and sold only in the secondary market at market price (not NAV). Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns.

Unlike passively managed ETFs, actively managed ETFs do not attempt to track or replicate an index. The Fund's investment decisions are made at the discretion of its portfolio managers, and there is no guarantee that the strategies used will be successful. The Fund may underperform other funds with similar investment objectives, including those that track an index.

Investments in small cap, micro cap, and companies with capitalization smaller than the Russell 2000® Index, are subject to the risks of common stocks, may experience considerable price fluctuations and are more volatile than large company stocks. Generally, the smaller the company size, the greater the risks.

Investments in global equity may be significantly affected by political or economic conditions and regulatory requirements in a particular country. International markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Emerging or frontier markets involve exposure to economic structures that are generally less diverse and mature. The less developed the market, the riskier the security. Such securities may be less liquid and more volatile.

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.

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.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. An increase in volatility and default risk are inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, with exposure to sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall.

Active-Passive Model Strategies represent target allocations of Russell Investments ETFs and third-party 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.

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

Russell Investments cannot provide tax advice. End investors should consult with financial and tax advisors before investing.

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

On July 2, 2026, Russell Investments Group, Ltd. ("Russell Investments") entered into a definitive agreement and plan of merger (the "Transaction") pursuant to which Russell Investments will be acquired by a consortium led by B Capital Group Management, L.P. that includes California Public Employees Retirement System. The Transaction is expected to close by the end of Q1 2027, subject to the receipt of regulatory approvals and other customary closing conditions.

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